



Friends of Acadia

FINANCIAL STATEMENTS

December 31, 2020

(With Comparative Totals for 2019)

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, 2020, 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 as of December 31, 2020, 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, 2019 and we expressed an unmodified opinion on those audited financial statements in our report dated May 11, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 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 26, 2021

FRIENDS OF ACADIA

Statement of Financial Position

**December 31, 2020
(With Comparative Totals for 2019)**

ASSETS

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,885,542	\$ 2,174,889
Contributions receivable, net	607,919	848,548
Other assets	262,845	220,437
Equipment, net of accumulated depreciation of \$178,090 in 2020 and \$175,167 in 2019	8,090	11,013
Investments	<u>66,532,610</u>	<u>60,688,904</u>
Total assets	<u>\$70,297,006</u>	<u>\$ 63,943,791</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accrued expenses	\$ <u>60,580</u>	\$ <u>44,550</u>
Total liabilities	<u>60,580</u>	<u>44,550</u>
Net assets		
Without donor restrictions	7,504,469	6,281,452
With donor restrictions	<u>62,731,957</u>	<u>57,617,789</u>
Total net assets	<u>70,236,426</u>	<u>63,899,241</u>
Total liabilities and net assets	<u>\$70,297,006</u>	<u>\$ 63,943,791</u>

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

FRIENDS OF ACADIA

Statement of Activities

**Year Ended December 31, 2020
(With Comparative Totals for 2019)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019</u>
Operating revenues				
Contributions, grants, and memberships	\$ 1,621,542	\$ 1,831,172	\$ 3,452,714	\$ 3,231,690
Events, less costs of direct benefit to donors in 2019 of \$120,250	527,447	304,841	832,288	1,144,482
Net assets released from restrictions	<u>2,417,693</u>	<u>(2,417,693)</u>	<u>-</u>	<u>-</u>
Total operating revenues, gains, and other support	<u>4,566,682</u>	<u>(281,680)</u>	<u>4,285,002</u>	<u>4,376,172</u>
Operating expenses				
Program services	<u>2,779,062</u>	<u>-</u>	<u>2,779,062</u>	<u>3,015,829</u>
Supporting services				
Fundraising and membership services	570,566	-	570,566	758,720
Management and general	<u>375,880</u>	<u>-</u>	<u>375,880</u>	<u>332,423</u>
Total supporting services	<u>946,446</u>	<u>-</u>	<u>946,446</u>	<u>1,091,143</u>
Total operating expenses	<u>3,725,508</u>	<u>-</u>	<u>3,725,508</u>	<u>4,106,972</u>
Change in net assets from operations	<u>841,174</u>	<u>(281,680)</u>	<u>559,494</u>	<u>269,200</u>
Nonoperating activities				
Contributions	-	86,077	86,077	34,836
Investment gains, net	<u>381,843</u>	<u>5,309,771</u>	<u>5,691,614</u>	<u>8,959,770</u>
Total nonoperating activities	<u>381,843</u>	<u>5,395,848</u>	<u>5,777,691</u>	<u>8,994,606</u>
Total change in net assets	1,223,017	5,115,168	6,337,185	9,263,806
Net assets, beginning of year	<u>6,281,452</u>	<u>57,617,789</u>	<u>63,899,241</u>	<u>54,635,435</u>
Net assets, end of year	<u>\$ 7,504,469</u>	<u>\$ 62,731,957</u>	<u>\$ 70,236,426</u>	<u>\$ 63,899,241</u>

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

FRIENDS OF ACADIA

Statement of Functional Expenses

**Year Ended December 31, 2020
(With Comparative Totals for 2019)**

Supporting Services

	<u>Program Activities</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Supporting Subtotal</u>	<u>2020 Total Expenses</u>	<u>2019</u>
Salaries & benefits	\$ 1,197,944	\$ 375,880	\$ 504,397	\$ 880,277	\$ 2,078,221	\$ 1,818,091
Grants	1,048,755	-	-	-	1,048,755	1,457,396
Other expenses	<u>532,363</u>	<u>-</u>	<u>66,169</u>	<u>66,169</u>	<u>598,532</u>	<u>831,485</u>
Total expenses	<u>\$ 2,779,062</u>	<u>\$ 375,880</u>	<u>\$ 570,566</u>	<u>\$ 946,446</u>	<u>\$ 3,725,508</u>	<u>\$ 4,106,972</u>

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

FRIENDS OF ACADIA

Statement of Cash Flows

**Year Ended December 31, 2020
(With Comparative Totals for 2019)**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 6,337,185	\$ 9,263,806
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,923	5,840
Net realized and unrealized gains on investments	(5,143,060)	(8,065,214)
Contributions restricted for long-term investment	(86,077)	(34,836)
Decrease (increase) in		
Contributions receivable	166,084	2,225,887
Other assets	(42,408)	47,854
Increase (decrease) in		
Accrued expenses	<u>16,030</u>	<u>(13,800)</u>
Net cash provided by operating activities	1,250,677	3,429,537
Cash flows from investing activities		
Purchase of investments	(15,576,928)	(29,765,305)
Proceeds from sale of investments	<u>14,876,282</u>	<u>25,572,938</u>
Net cash used by investing activities	<u>(700,646)</u>	<u>(4,192,367)</u>
Cash flows from financing activities		
Contributions received restricted for long-term investment	<u>160,622</u>	<u>1,070,784</u>
Net cash provided by financing activities	<u>160,622</u>	<u>1,070,784</u>
Net increase in cash and cash equivalents	710,653	307,954
Cash and cash equivalents, beginning of year	<u>2,174,889</u>	<u>1,866,935</u>
Cash and cash equivalents, end of year	\$ <u>2,885,542</u>	\$ <u>2,174,889</u>

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

FRIENDS OF ACADIA

Notes to Financial Statements

December 31, 2020
(With Comparative Totals for 2019)

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 2020, Friends received approximately 23% of total operating revenue from a single donor. In 2019, two donors were each independently responsible for approximately 24% of total operating revenue.

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

December 31, 2020
(With Comparative Totals for 2019)

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

December 31, 2020
(With Comparative Totals for 2019)

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.

Uncertainties

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.

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on business and financial results will depend on future developments. While management expects this matter to impact operating results, the related financial impact and duration cannot be reasonably estimated.

Subsequent Events

Management has considered subsequent events occurring through May 26, 2021, 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.

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, 2019 financial statements, from which the summarized information was derived.

FRIENDS OF ACADIA

Notes to Financial Statements

December 31, 2020
(With Comparative Totals for 2019)

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 December 31, 2020, Friends believes all remaining pledges are collectible within one year, so a present value factor is not used for 2020 or 2019 figures. Contributions receivable consist of the following:

	<u>2020</u>	<u>2019</u>
Amounts due in:		
One year or less	\$ 625,195	\$ 865,824
Less allowance for uncollectible promises to give	<u>17,276</u>	<u>17,276</u>
Net unconditional promises to give	<u>\$ 607,919</u>	<u>\$ 848,548</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 \$97,605 at December 31, 2020 and \$90,954 at December 31, 2019. These totals are included in other assets in the statements of financial position.

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.

FRIENDS OF ACADIA

Notes to Financial Statements

December 31, 2020
(With Comparative Totals for 2019)

Endowment assets include those assets of donor-restricted funds that Friends must hold in perpetuity or for a donor-specified period(s), as well as 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 2020 or 2019.

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, 2020
(With Comparative Totals for 2019)

Invested Funds

The investment net asset composition by type of fund as of December 31, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Invested Project Funds</u>	<u>2020 Total</u>	<u>2019</u>
Investment net assets, beginning of year	\$ 3,934,940	\$ 37,656,157	\$ 19,097,807	\$ 60,688,904	\$ 48,427,558
Investment return, net	358,086	3,445,790	1,867,531	5,671,407	8,946,165
Contributions	296,907	160,621	2,132,464	2,589,992	7,556,525
Appropriation of invested assets for expenditure	-	(1,144,082)	(1,273,611)	(2,417,693)	(4,241,344)
Investment net assets, end of year	<u>\$ 4,589,933</u>	<u>\$ 40,118,486</u>	<u>\$ 21,824,191</u>	<u>\$ 66,532,610</u>	<u>\$ 60,688,904</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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,053,608	\$ 5,497,903	\$ 2,053,608	\$ 5,497,903
Non U.S. equity	12,345,608	12,444,448	14,563,660	13,498,940
U.S. equity	20,605,164	20,116,497	27,218,535	23,231,101
Fixed income	10,282,175	11,574,527	10,843,264	11,855,267
Alternative investments	<u>10,808,046</u>	<u>6,137,240</u>	<u>11,853,543</u>	<u>6,605,693</u>
Total investments	<u>\$ 56,094,601</u>	<u>\$ 55,770,615</u>	<u>\$ 66,532,610</u>	<u>\$ 60,688,904</u>

Investment fees are based on the value of the portfolio, and totaled \$320,734 for 2020 and \$286,938 for 2019.

FRIENDS OF ACADIA

Notes to Financial Statements

December 31, 2020
(With Comparative Totals for 2019)

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, 2020
(With Comparative Totals for 2019)**

7. Net Assets

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

	<u>2020</u>	<u>2019</u>
ANP Carriage Road Maintenance Fund	\$ 3,894,466	\$ 3,362,157
Acadia Resilience Fund	332,390	-
Bass Harbor Head Light	328,805	322,172
Carriage Road Bridge Restoration	1,804,999	809,343
Carriage Road – Vista Clearing	16,281	41,429
Acadia Teacher Fellows	96,421	93,906
Diana Davis Spencer Youth Endowment	304,952	234,830
Diana Davis Spencer Youth Expendable Fund	-	5,293
Wild Gardens of Acadia	103,761	82,023
Wheelchair Accessible Carriage Maintenance Fund	233,745	205,907
2016 Centennial	-	53,787
Second Century Campaign - Unallocated	10,846,862	9,974,868
Second Century Campaign - The Acadia Experience	2,363,085	2,513,743
Second Century Campaign - Youth Expendable Funds	1,890,623	1,805,921
Second Century Campaign - Youth Endowment	486,694	402,683
Second Century Campaign - Trails and Carriage Roads	695,435	643,471
Second Century Campaign - Friends of Acadia Operations	698,654	543,451
Second Century Campaign - Wild Acadia	1,400,909	1,229,175
Island Explorer Bus System	295,852	34,694
Schoodic Woods Endowment	1,114,269	847,867
Lower Hadlock Pond	12,791	11,724
Historic Structures Restoration	153,013	201,285
Summit Stewards Program Funds	202,504	336,101
Acadia Winter Trails	190,028	159,337
Acadia Land Legacy	935,585	711,959
Acadia Trails Forever	8,952,217	8,074,583
Seal Harbor Seaside Path Restoration	162,176	148,649
Acadia Trails Forever - Abandoned Trails	895,648	820,941
Acadia Youth Conservation Corps	954,218	872,513
J. Peter Grace Trails Fund in Memory of the Long Walk	126,401	115,766
Other temporarily restricted projects	<u>495,790</u>	<u>300,904</u>
	<u>\$39,988,574</u>	<u>\$34,960,482</u>

FRIENDS OF ACADIA

Notes to Financial Statements

**December 31, 2020
(With Comparative Totals for 2019)**

Net assets with donor restrictions intended to be held in perpetuity were as follows as of December 31:

	<u>2020</u>	<u>2019</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	6,298,366	6,297,366
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	2,724,112	2,652,688
Wild Gardens of Acadia Founders' Fund	<u>347,278</u>	<u>333,626</u>
	<u>22,743,383</u>	<u>22,657,307</u>
Total net assets with donor restrictions	<u>\$62,731,957</u>	<u>\$57,617,789</u>

FRIENDS OF ACADIA

Notes to Financial Statements

**December 31, 2020
(With Comparative Totals for 2019)**

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

	<u>2020</u>	<u>2019</u>
Carriage Road Maintenance Fund	\$ 217,177	\$ 244,113
Dorrence B. Tibbetts Carriage Roads & Bridges Fund	-	90,169
Bass Harbor Head Light	24,793	134,368
Carriage Road - Vista Clearing	28,918	4,857
Carriage Road Bridge Restoration	83,760	-
Acadia Teacher Fellows	6,031	25,478
Diana Davis Spencer Youth Funds	70,774	48,361
Wild Gardens of Acadia Founders' Fund	36,259	27,730
Every Kid in the Park & School Engagement	-	48,495
Second Century Campaign - The Acadia Experience	393,247	44,214
Second Century Campaign - Youth Funds	156,639	196,305
Second Century Campaign - Trails & Carriage Roads	-	150,000
Second Century Campaign - Operational Endowment	139,000	10,000
Second Century Campaign - Wild Acadia	262,556	578,865
Island Explorer Bus System	-	288,637
Schoodic Woods Endowment Earnings	83,760	72,888
Historic Structures Restoration	66,583	63,168
Summit Stewards Program Funds	204,283	110,109
Acadia Winter Trails	2,101	46,659
Acadia Trails Forever	393,046	325,603
Peter Grace Trail Fund	9,000	10,000
Seal Harbor Seaside Path Restoration	-	43,113
Acadia Youth Conservation Corps	-	47,848
Invasive Plant Eradication & Water Quality Projects	-	72,050
Stewardship Volunteer Program	132,250	-
Schoodic Education Adventure	25,000	26,498
Other temporarily restricted projects	82,516	<u>179,730</u>
	<u>\$ 2,417,693</u>	<u>\$ 2,889,258</u>

FRIENDS OF ACADIA

Notes to Financial Statements

**December 31, 2020
(With Comparative Totals for 2019)**

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>2020</u>	<u>2019</u>
Programs	57%	57%
Management and general	19	19
Development, fundraising, and membership	24	24

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 \$50,610 in 2020 and \$44,716 in 2019.

10. Non-Cash Transactions

Friends received non-cash gifts from donors valued at \$91,380 in 2020 and \$326,260 in 2019, 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. Related Party Transactions

Friends provides donor-restricted grant support to Schoodic Institute, a nonprofit organization. The President and CEO of Friends serves on the Board of Directors of Schoodic Institute. Grants paid to Schoodic Institute, which are included in program services in the statements of activities, were \$28,479 for 2020 and \$49,159 for 2019.

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12. Assets at Fair Value

Financial Accounting Standards Board (FASB) Accounting Standards Codification (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, 2020

	<u>Total</u>	<u>Level 1</u>
Investments		
Cash and cash equivalents	\$ 2,053,608	\$ 2,053,608
Non U.S. equity	14,563,660	14,563,660
U.S. equity	27,218,535	27,218,535
Fixed income	<u>10,843,264</u>	<u>10,843,264</u>
	54,679,067	<u>54,679,067</u>
Assets measured at net asset value	<u>11,853,543</u>	
	<u>\$ 66,532,610</u>	
	<u>Total</u>	<u>Level 2</u>
Contributions receivable, net	<u>\$ 607,919</u>	<u>\$ 607,919</u>

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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>	
 Total investments	 <u>\$ 60,688,904</u>	
	<u>Total</u>	<u>Level 2</u>
Contributions receivable, net	<u>\$ 848,548</u>	<u>\$ 848,548</u>

Level 2 contributions receivable are measured at the present value of estimated future cash flows using a discount rate commensurate with the risk involved. Outstanding contributions due in a year or less, are not discounted. 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, 2020 and 2019:

	<u>2020</u>		<u>2019</u>	
	<u>NAV</u>	<u>Unfunded Commitments</u>	<u>NAV</u>	<u>Unfunded Commitments</u>
Limited partnership	\$ 989,818	\$ 238,961	\$ 748,382	\$ 398,641
Limited partnership	381,861	631,990	201,849	796,850
Limited partnership	896,588	218,218	705,340	367,278
Limited partnership	223,498	249,727	212,187	278,207
Limited partnership	27,431	970,000	-	-
Limited partnership	714,862	475,909	692,132	482,371
*Limited partnership	1,937,490	-	1,022,935	-
Limited partnership	193,698	822,207	62,940	934,108
Limited partnership	233,528	792,551	25,183	975,000
Limited partnership	-	1,000,000	-	-
Hedge fund	2,804,985	-	2,500,000	-
Hedge fund	2,645,883	-	-	-
Limited partnership	179,049	2,346,512	-	-
Limited partnership	<u>624,852</u>	<u>889,065</u>	<u>434,745</u>	<u>1,057,811</u>
Total	<u>\$11,853,543</u>	<u>\$8,635,140</u>	<u>\$6,605,693</u>	<u>\$5,290,266</u>

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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 hedge funds have quarterly liquidity, with one such fund may be liquidated quarterly over 3 years.

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

13. Leasing Arrangements

Friends leases office space in Bar Harbor under a one-year operating lease expiring December 31, 2021. The remaining future minimum lease payments required under the lease for 2021 are \$77,472.

Total rent expense under the current lease, and other immaterial operating lease agreements, total approximately \$81,849 for 2020 and \$81,781 for 2019.

14. 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 statement of financial position date, to meet general expenditures.

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash	\$ 2,885,542	\$ 2,174,889
Other assets	262,845	220,437
Contributions receivable, net	607,919	848,548
Investments	<u>66,532,610</u>	<u>60,688,904</u>
Total financial assets at December 31	<u>\$ 70,288,916</u>	<u>\$ 63,932,778</u>
Financial assets available to meet general expenditures over the next 12 months:		
Cash	\$ 2,885,542	\$ 2,174,889
Other assets	262,845	220,437
Investments which can be used for general expenditures	698,654	543,451
Investments without donor restrictions	<u>4,589,933</u>	<u>3,934,940</u>
Total assets available over the next 12 months	<u>\$ 8,436,974</u>	<u>\$ 6,873,717</u>

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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 one certificate 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.