



Friends of Acadia

FINANCIAL STATEMENTS

December 31, 2022

(With Comparative Totals for 2021)

With Independent Auditor's Report





INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Friends of Acadia

Opinion

We have audited the accompanying financial statements of Friends of Acadia (Friends), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends as of December 31, 2022, 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 (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friends and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Friends' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the financial statements of Friends as of and for the year ended December 31, 2021, and we expressed an unmodified opinion on those audited financial statements in our report dated May 27, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Berry Dunn McNeil & Parker, LLC

Bangor, Maine
June 2, 2023

FRIENDS OF ACADIA

Statement of Financial Position

**December 31, 2022
(With Comparative Totals for 2021)**

ASSETS

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,963,176	\$ 2,954,506
Contributions receivable, net	189,772	234,772
Other assets	364,095	184,326
Investments	<u>70,135,122</u>	<u>78,918,001</u>
Total assets	<u>\$ 74,652,165</u>	<u>\$ 82,291,605</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accrued expenses	\$ <u>93,920</u>	\$ <u>60,884</u>
Total liabilities	<u>93,920</u>	<u>60,884</u>
Net assets		
Without donor restrictions	10,874,802	10,444,743
With donor restrictions	<u>63,683,443</u>	<u>71,785,978</u>
Total net assets	<u>74,558,245</u>	<u>82,230,721</u>
Total liabilities and net assets	<u>\$ 74,652,165</u>	<u>\$ 82,291,605</u>

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

FRIENDS OF ACADIA

Statement of Activities

**Year Ended December 31, 2022
(With Comparative Totals for 2021)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>2021</u>
Operating revenues				
Contributions, grants, and memberships	\$ 2,433,244	\$ 555,700	\$ 2,988,944	\$ 3,172,281
Events	706,572	198,010	904,582	1,068,513
Net assets released from restrictions	<u>3,385,122</u>	<u>(3,385,122)</u>	<u>-</u>	<u>-</u>
 Total operating revenues	 <u>6,524,938</u>	 <u>(2,631,412)</u>	 <u>3,893,526</u>	 <u>4,240,794</u>
Operating expenses				
Program services	<u>3,744,257</u>	<u>-</u>	<u>3,744,257</u>	<u>3,492,301</u>
Supporting services				
Fundraising	1,056,967	-	1,056,967	616,758
Management and general	<u>465,149</u>	<u>-</u>	<u>465,149</u>	<u>384,404</u>
 Total supporting services	 <u>1,522,116</u>	 <u>-</u>	 <u>1,522,116</u>	 <u>1,001,162</u>
 Total operating expenses	 <u>5,266,373</u>	 <u>-</u>	 <u>5,266,373</u>	 <u>4,493,463</u>
Change in net assets from operations	<u>1,258,565</u>	<u>(2,631,412)</u>	<u>(1,372,847)</u>	<u>(252,669)</u>
Nonoperating activities				
Contributions	-	2,539,730	2,539,730	49,920
Investment Income (losses), net	<u>(828,506)</u>	<u>(8,010,853)</u>	<u>(8,839,359)</u>	<u>12,197,044</u>
 Total nonoperating activities	 <u>(828,506)</u>	 <u>(5,471,123)</u>	 <u>(6,299,629)</u>	 <u>12,246,964</u>
 Total change in net assets	 430,059	 (8,102,535)	 (7,672,476)	 11,994,295
Net assets, beginning of year	<u>10,444,743</u>	<u>71,785,978</u>	<u>82,230,721</u>	<u>70,236,426</u>
Net assets, end of year	<u>\$ 10,874,802</u>	<u>\$ 63,683,443</u>	<u>\$ 74,558,245</u>	<u>\$ 82,230,721</u>

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

FRIENDS OF ACADIA

Statement of Functional Expenses

**Year Ended December 31, 2022
(With Comparative Totals for 2021)**

		Supporting Services				
	<u>Program Activities</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Supporting Subtotal</u>	<u>2022 Total Expenses</u>	<u>2021</u>
Salaries and benefits	\$ 1,501,539	\$ 370,968	\$ 525,669	\$ 896,637	\$ 2,398,176	\$ 2,021,219
Grants	1,602,050	-	-	-	1,602,050	1,690,961
Other expenses	<u>640,668</u>	<u>94,181</u>	<u>531,298</u>	<u>625,479</u>	<u>1,266,147</u>	<u>781,283</u>
Total expenses	<u>\$ 3,744,257</u>	<u>\$ 465,149</u>	<u>\$ 1,056,967</u>	<u>\$ 1,522,116</u>	<u>\$ 5,266,373</u>	<u>\$ 4,493,463</u>

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

FRIENDS OF ACADIA

Statement of Cash Flows

**Year Ended December 31, 2022
(With Comparative Totals for 2021)**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (7,672,476)	\$ 11,994,295
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized gains on investments	9,569,650	(12,197,044)
Contributions restricted for long-term investment	(2,539,730)	(49,920)
Decrease in contributions receivable	23,000	322,692
(Increase) decrease in other assets	(179,769)	86,609
Increase in accrued expenses	<u>33,036</u>	<u>304</u>
Net cash (used) provided by operating activities	<u>(766,289)</u>	<u>156,936</u>
Cash flows from investing activities		
Purchase of investments	(10,642,135)	(13,710,304)
Proceeds from sale of investments	<u>9,855,364</u>	<u>13,521,957</u>
Net cash used by investing activities	<u>(786,771)</u>	<u>(188,347)</u>
Cash flows from financing activities		
Contributions received restricted for long-term investment	<u>2,561,730</u>	<u>100,375</u>
Net cash provided by financing activities	<u>2,561,730</u>	<u>100,375</u>
Net increase in cash and cash equivalents	1,008,670	68,964
Cash and cash equivalents, beginning of year	<u>2,954,506</u>	<u>2,885,542</u>
Cash and cash equivalents, end of year	<u>\$ 3,963,176</u>	<u>\$ 2,954,506</u>

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

FRIENDS OF ACADIA

Notes to Financial Statements

December 31, 2022
(With Comparative Totals for 2021)

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 2022, Friends received approximately 14% of total operating revenues and approximately 39% of total contributions from a single donor. In 2021, one donor accounted for 12% of total operating revenues and total contributions.

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 are 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 (U.S. 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, 2022
(With Comparative Totals for 2021)

Equipment

Purchased equipment is recorded at cost. Friends capitalizes equipment with a useful life greater than one year and a cost of \$10,000 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 U.S. 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 Indirect 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, 2022
(With Comparative Totals for 2021)

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 June 2, 2023, 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.

On March 17, 2023, Friends purchased a property known as the Kingsleigh Inn in Southwest Harbor, Maine for \$1,275,000. Friends intends to hold this real estate indefinitely and will allow Acadia National Park to use the rooms in the building on this property to help meet their seasonal housing needs.

Friends entered into a purchase and sale agreement for a \$265,000 purchase of land. Closing on the property purchase is contingent on the completion of an environmental site assessment. The contingency must be removed on or before September 30, 2023. Friends signed a contract for the environmental site assessment work on March 23, 2023 with a final report of the work estimated to issued within 30 days.

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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Friends' December 31, 2021 financial statements, from which the summarized information was derived.

FRIENDS OF ACADIA

Notes to Financial Statements

**December 31, 2022
(With Comparative Totals for 2021)**

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.

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, 2022, Friends believes all remaining pledges are collectible within one year, so a present value factor is not used for 2022 or 2021 figures. Contributions receivable consist of the following:

	<u>2022</u>	<u>2021</u>
Amounts due in:		
One year or less	\$ 207,048	\$ 252,048
Less allowance for uncollectible promises to give	<u>17,276</u>	<u>17,276</u>
Net unconditional promises to give	<u>\$ 189,772</u>	<u>\$ 234,772</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 \$196,681 at December 31, 2022 and \$110,453 at December 31, 2021. 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, 2022
(With Comparative Totals for 2021)**

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 2022 or 2021.

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, 2022
(With Comparative Totals for 2021)

Invested Funds

The investment net asset composition by type of fund as of December 31, 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Invested Project Funds</u>	<u>2022 Total</u>	<u>2021</u>
Investment net assets, beginning of year	\$ 7,459,068	\$ 53,020,190	\$ 18,438,743	\$ 78,918,001	\$66,532,610
Investment return, net	(838,213)	(5,957,495)	(2,053,359)	(8,849,067)	12,176,168
Contributions	112,869	2,590,730	747,711	3,451,310	3,531,208
Reclassification of unallocated capital campaign funds in line with campaign priorities	(74,998)	-	74,998	-	-
Appropriation of invested assets for expenditure	-	(1,726,279)	(1,658,843)	(3,385,122)	(3,321,985)
Investment net assets, end of year	<u>\$ 6,658,726</u>	<u>\$ 47,927,146</u>	<u>\$ 15,549,250</u>	<u>\$ 70,135,122</u>	<u>\$ 78,918,001</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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 722,664	\$ 701,589	\$ 722,664	\$ 701,589
Non U.S. equity	12,933,904	13,927,355	13,176,915	16,015,988
U.S. equity	23,429,570	23,832,732	26,794,087	34,956,803
Fixed income	9,617,301	9,437,985	8,986,366	9,561,317
Alternative investments	<u>14,809,059</u>	<u>14,296,304</u>	<u>20,455,090</u>	<u>17,682,304</u>
Total investments	<u>\$ 61,512,498</u>	<u>\$ 62,195,965</u>	<u>\$ 70,135,122</u>	<u>\$ 78,918,001</u>

FRIENDS OF ACADIA

Notes to Financial Statements

December 31, 2022
(With Comparative Totals for 2021)

Investment fees are based on the value of the portfolio, and totaled \$381,580 for 2022 and \$375,502 for 2021.

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, 2022
(With Comparative Totals for 2021)**

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>2022</u>	<u>2021</u>
Acadia Accessibility Fund	\$ 240,234	\$ 297,801
Acadia Land Legacy	981,782	1,106,078
Acadia Teacher Fellows	62,788	108,400
Acadia Trails Forever Endowments	8,809,274	11,377,651
Acadia Trails Forever – Abandoned Trails	939,874	1,058,864
Acadia Resilience Fund	-	261,084
Acadia Winter Trails Endowment	180,407	258,623
Acadia Youth Conservation Corps	1,001,336	1,128,107
Bass Harbor Head Light	277,485	353,733
Carriage Road Bridge Restoration	1,463,348	1,769,105
Carriage Road Endowment	3,596,184	5,196,733
Diana Davis Spencer Youth Endowment	251,528	511,474
Greening Acadia Fund	351,991	395,987
Historic Structures Restoration	159,583	179,786
Island Explorer Bus System	75,166	56,373
J. Peter Grace Trails Fund in Memory of the Long Walk Endowment	119,011	157,159
Jerome Levy Endowment for Acadia Resource Protection	200,415	414,353
Lower Hadlock Pond	13,422	15,121
Schoodic Woods Endowment	1,041,306	1,745,477
Seal Harbor Seaside Path Restoration	170,184	191,730
Second Century Campaign – Operational Endowment	482,514	1,156,663
Second Century Campaign – The Acadia Experience	4,545,018	5,283,167
Second Century Campaign – Trails and Carriage Roads	516,398	662,890
Second Century Campaign – Unallocated	2,767,848	3,126,277
Second Century Campaign – Youth Endowment	14,804	674,431
Second Century Campaign – Youth Expendable Funds	1,733,109	2,116,560
Second Century Campaign – Wild Acadia Endowment	863,011	1,732,131
Summit Stewards Program Funds	-	100,839
Wheelchair Accessible Carriages Endowment	238,175	294,564
Wild Gardens of Acadia Endowment	70,090	166,238
Other temporarily restricted projects	<u>227,613</u>	<u>163,764</u>
	<u>\$ 31,393,898</u>	<u>\$42,061,163</u>

FRIENDS OF ACADIA

Notes to Financial Statements

**December 31, 2022
(With Comparative Totals for 2021)**

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

	<u>2022</u>	<u>2021</u>
Elizabeth R. Bright Endowment – Acadia Winter Trails	\$ 201,000	\$ 201,000
Carriage Road Endowment	6,601,052	6,601,052
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	6,301,466	6,299,716
Schoodic Woods Endowment	3,000,000	3,000,000
Diana Davis Spencer Youth Endowment	1,250,000	1,250,000
Youth Endowment	3,750,000	3,750,000
Jerome Levy Endowment for Acadia Resource Protection	1,000,000	1,000,000
Wild Acadia Endowment	4,000,000	4,000,000
Operational Endowment	5,525,000	3,000,000
Wild Gardens of Acadia Founders' Fund	<u>431,328</u>	<u>393,348</u>
	<u>32,289,545</u>	<u>29,724,815</u>
Total net assets with donor restrictions	<u>\$63,683,443</u>	<u>\$71,785,978</u>

The board has conditionally approved spending of funds from “Second Century Campaign - The Acadia Experience” in the amount of \$1,250,000 towards the Acadia Gateway Center to be used towards construction costs and solar panels.

FRIENDS OF ACADIA

Notes to Financial Statements

**December 31, 2022
(With Comparative Totals for 2021)**

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

	<u>2022</u>	<u>2021</u>
Acadia Accessibility Fund	\$ 24,102	\$ 63,496
Acadia Teacher Fellows	33,431	5,592
Acadia Trails Forever Endowments	538,607	319,216
Acadia Resilience Fund	231,745	131,878
Acadia Winter Trails Endowment	26,566	2,662
Bass Harbor Head Light	36,507	37,045
Carriage Road Endowment	275,772	295,592
Carriage Road - Vista Clearing	-	19,248
Carriage Road Bridge Restoration	106,954	364,822
Diana Davis Spencer Youth Endowment	62,000	76,840
Historic Structures Restoration	-	1,111
Island Explorer Bus System	282,358	293,393
Jerome Levy Resource Protection Endowment	55,000	50,000
J. Peter Grace Trails Fund in Memory of the Long Walk Endowment	9,250	10,500
Schoodic Education Adventure	26,624	26,337
Schoodic Woods Endowment	170,898	118,542
Second Century Campaign – The Acadia Experience	144,453	298,502
Second Century Campaign – Youth Program Funds	292,650	126,350
Second Century Campaign – Youth Endowment	162,431	150,000
Second Century Campaign – Trails & Carriage Roads	72,000	100,000
Second Century Campaign – Operational Endowment	209,853	155,000
Second Century Campaign – Wild Acadia Endowment	130,000	206,094
Second Century Campaign – Wild Acadia Program Funds	174,773	186,573
Summit Stewards Program Funds	89,507	138,568
Summit Stewards Endowment	40,000	40,000
Stewardship Volunteer Program	25,616	2,075
Wheelchair Accessible Carriages Endowment	12,050	-
Wild Gardens of Acadia Endowment	33,852	23,000
Wild Gardens of Acadia Program Funds	23,973	27,633
Other temporarily restricted projects	<u>94,150</u>	<u>51,916</u>
	<u>\$ 3,385,122</u>	<u>\$ 3,321,985</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. During 2022, staff worked with their supervisors to revise job descriptions, and the resulting revised job descriptions were compared to historic allocations and adjustments were made as necessary. This exercise resulted in some small changes. Salaries and administrative expenses have been allocated using the percentages shown below:

	<u>2022</u>	<u>2021</u>
Programs	53%	57%
Management and general	20	19
Development, fundraising, and membership	27	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 \$66,959 in 2022 and \$51,134 in 2021.

10. Non-Cash Transactions

Friends received non-cash gifts from donors valued at \$156,375 in 2022 and \$193,512 in 2021, primarily from auction items. Through auction these nonfinancial assets were monetized and the 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.

During 2022, Friends adopted FASB Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this ASU require not-for-profit organizations to present contributions of nonfinancial assets separately from other contributions. Additionally, the ASU adds further disclosure requirements. There was no impact to the change in net assets as a result of this adoption.

11. Related Party Transactions

Friends provides donor-restricted grant support to Schoodic Institute, a nonprofit organization. The President and CEO of Friends served 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 \$146,441 for 2022 and \$139,135 for 2021.

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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. There are no level 3 assets as of December 31, 2022 or 2021.

Fair Value Measurements at December 31, 2022

	<u>Total</u>	<u>Level 1</u>
Investments		
Cash and cash equivalents	\$ 722,664	\$ 722,664
Non U.S. equity	13,176,915	13,176,915
U.S. equity	26,794,087	26,794,087
Fixed government income fund	<u>8,986,366</u>	<u>8,986,366</u>
	49,680,032	<u>\$49,680,032</u>
Assets measured at net asset value	<u>20,455,090</u>	
	<u>\$70,135,122</u>	
	<u>Total</u>	<u>Level 2</u>
Contributions receivable, net	<u>\$ 189,772</u>	<u>\$ 189,772</u>

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Fair Value Measurements at December 31, 2021

	<u>Total</u>	<u>Level 1</u>
Investments		
Cash and cash equivalents	\$ 701,589	\$ 701,589
Non U.S. equity	16,015,988	16,015,988
U.S. equity	34,956,803	34,956,803
Fixed income	<u>9,561,317</u>	<u>9,561,317</u>
	61,235,697	<u>\$61,235,697</u>
Assets measured at net asset value	<u>17,682,304</u>	
Total investments	<u>\$78,918,001</u>	
	<u>Total</u>	<u>Level 2</u>
Contributions receivable, net	<u>\$ 234,772</u>	<u>\$ 234,772</u>

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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), including Private Equity Managers (PEM), Vintage (VIN), U.S. Real Property Income (USRPI), Venture Capital (Venture), Imprint Thematic Opportunities Offshore (Imprint), and Private Credit Managers (PCM), as of December 31, 2022 and 2021:

	<u>2022</u>		<u>2021</u>	
	<u>NAV</u>	<u>Unfunded Commitments</u>	<u>NAV</u>	<u>Unfunded Commitments</u>
Ltd partnership (PEM '16)	\$1,254,664	\$ 310,860	\$ 1,280,663	\$ 310,860
Ltd partnership (PEM '17)	1,450,544	209,240	1,433,911	202,151
Ltd partnership (PEM '18)	1,027,126	301,332	776,524	413,374
Ltd partnership (PEM '18)	617,535	136	483,891	52,943
Ltd partnership (PEM '19)	1,037,959	352,275	724,733	464,735
Ltd partnership (PEM '20)	569,281	478,442	312,802	707,727
Ltd partnership (PEM '21)	277,112	725,111	14,369	984,718
^**Ltd partnership (PEM '22)	(1,472)	500,000	-	500,000
**Ltd partnership (PEM '23)	-	750,000	-	-
*Ltd partnership (USRPI)	2,408,956	-	2,308,207	-
^**Ltd partnership (VIN RE)	-	1,500,000	-	-
Ltd partnership (VIN VII)	897,600	545,007	956,447	520,217
Ltd partnership (VIN VIII)	946,804	417,780	644,003	589,045
Ltd partnership (VIN IX B)	20,000	980,000	-	-
***Ltd partnership (Venture)	109,105	1,875,286	44,877	1,948,718
^Ltd partnership (Imprint '22)	219,027	1,291,599	-	1,500,000
Hedge fund	3,452,121	-	3,304,924	-
Hedge fund	3,206,398	-	3,355,343	-
Ltd partnership (PCM II)	1,047,432	576,309	755,521	733,520
Ltd partnership (PCM III)	1,845,355	826,562	1,286,089	1,338,654
^Ltd partnership (PCM IV)	69,543	925,000	-	-
Total	<u>\$ 20,455,090</u>	<u>\$12,564,939</u>	<u>\$17,682,304</u>	<u>\$ 10,266,662</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 hedge funds have quarterly liquidity, with one such fund that may be liquidated quarterly over 3 years.

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

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***The partnership can be terminated upon written request to the general partner, though the general partner holds discretion to accept or withhold such request. The funds are illiquid and are redeemable between ten and twelve years.

^The partnership cannot be terminated, though it may be sold in a secondary market. The funds are illiquid and are redeemable between ten and twelve years.

13. Leasing Arrangements

Friends leases office space in Bar Harbor under a one-year operating lease expiring December 31, 2023. The remaining future minimum lease payments required under the lease for 2023 are \$77,472.

Total rent expense under the current lease, and other immaterial operating lease agreements, total \$79,812 for 2022 and \$79,813 for 2021.

In June 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), to increase transparency and comparability among companies by recognizing lease assets and lease liabilities in the balance sheet and disclosing key information about leasing arrangements. The adoption of this pronouncement and related guidance in the year ended December 31, 2022 did not have a material impact on the financial statements of Friends.

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>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash	\$ 3,963,176	\$ 2,954,506
Other assets	364,095	184,326
Contributions receivable, net	189,772	234,772
Investments	<u>70,135,122</u>	<u>78,918,001</u>
Total financial assets at December 31	<u>\$ 74,652,165</u>	<u>\$ 82,291,605</u>

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

Cash	\$ 3,963,176	\$ 2,954,506
Other assets	364,095	184,326
Investments without donor restrictions	<u>6,658,726</u>	<u>7,459,068</u>
Total assets available over the next 12 months	<u>\$ 10,985,997</u>	<u>\$ 10,597,900</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, and a brokerage account. 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.