

**Financial Statements and  
Other Financial Information**

**Friends of Casco Bay**

**March 31, 2018**



**DAWSON SMITH  
PURVIS & BASSETT**  
CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS ADVISORS

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FRIENDS OF CASCO BAY

March 31, 2018

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**DAWSON SMITH  
PURVIS & BASSETT**

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors  
Friends of Casco Bay  
South Portland, Maine

Management is responsible for the accompanying financial statements of Friends of Casco Bay (a nonprofit organization), which comprise the statements of financial position as of March 31, 2018 and 2017 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

*Dawson, Smith, Purvis & Bassett, P.A.*

November 9, 2018  
Portland, Maine

STATEMENTS OF FINANCIAL POSITION

FRIENDS OF CASCO BAY

March 31, 2018 and 2017

|  | <u>2018</u>         | <u>2017</u>         |
|--|---------------------|---------------------|
| ASSETS   |                     |                     |
| CURRENT ASSETS   |                     |                     |
| Cash and cash equivalents  | \$ 150,073          | \$ 149,949          |
| Contingency fund cash  | 108,129             | 108,129             |
| Cash reserved for baykeeper retirement fund  | -                   | 26,591              |
| Accounts receivable, net of allowance of \$180 and \$330 at<br>March 31, 2018 and 2017, respectively | 5,490               | 19,669              |
| Promises to give   | 12,500              | 8,750               |
| Prepaid expenses   | 10,820              | 13,681              |
| TOTAL CURRENT ASSETS   | <u>287,012</u>      | <u>326,769</u>      |
| PROPERTY AND EQUIPMENT   |                     |                     |
| Equipment and furnishings  | 75,092              | 75,092              |
| Vehicle  | 31,441              | 31,441              |
| Boats  | 284,831             | 284,831             |
| TOTAL PROPERTY AND EQUIPMENT   | <u>391,364</u>      | <u>391,364</u>      |
| Less accumulated depreciation  | 249,249             | 215,973             |
| NET PROPERTY AND EQUIPMENT   | <u>142,115</u>      | <u>175,391</u>      |
| OTHER ASSETS   |                     |                     |
| Beneficial interest in assets held by others   | 742,872             | 724,826             |
| Boats fund investments   | 107,119             | 108,025             |
| Advocacy fund investments  | 57,527              | 62,194              |
|  | <u>907,518</u>      | <u>895,045</u>      |
| TOTAL ASSETS   | <u>\$ 1,336,645</u> | <u>\$ 1,397,205</u> |

|  | <u>2018</u>         | <u>2017</u>         |
|--|---------------------|---------------------|
| LIABILITIES AND NET ASSETS               |                     |                     |
| CURRENT LIABILITIES                      |                     |                     |
| Accounts payable                         | \$ 7,526            | \$ 2,793            |
| Other current liabilities                | 2,025               | 1,938               |
| Deferred revenue                         | -                   | 3,900               |
| Accrued vacation                         | 35,231              | 38,139              |
| Retirement fund liability                | -                   | 26,503              |
| TOTAL CURRENT LIABILITIES                | <u>44,782</u>       | <u>73,273</u>       |
| NET ASSETS                               |                     |                     |
| Unrestricted                             |                     |                     |
| Undesignated                             | 131,530             | 129,740             |
| Designated                               | 108,129             | 108,129             |
| Net investment in property and equipment | 142,115             | 175,391             |
| TOTAL UNRESTRICTED NET ASSETS            | <u>381,774</u>      | <u>413,260</u>      |
| Temporarily restricted net assets        | 910,089             | 910,672             |
| TOTAL NET ASSETS                         | <u>1,291,863</u>    | <u>1,323,932</u>    |
| TOTAL LIABILITIES AND NET ASSETS         | <u>\$ 1,336,645</u> | <u>\$ 1,397,205</u> |

See independent accountants' compilation report and notes to the financial statements.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FRIENDS OF CASCO BAY

Years Ended March 31, 2018 and 2017

|  | Year Ended March 31, 2018 |                        |                     | Year Ended          |
|--|---------------------------|------------------------|---------------------|---------------------|
|  | Unrestricted              | Temporarily Restricted | Total               | March 31, 2017      |
|  |                           |                        |                     | Total               |
| <b>OPERATING ACTIVITY</b>  |                           |                        |                     |                     |
| Operating Revenues   |                           |                        |                     |                     |
| Individual gifts   | \$ 339,846                | \$ 2,573               | \$ 342,419          | \$ 313,081          |
| Corporate gifts  | 46,699                    | -                      | 46,699              | 55,320              |
| Foundation grants  | 161,026                   | -                      | 161,026             | 169,990             |
| Government grants and contracts  | 99,614                    | -                      | 99,614              | 122,622             |
| Nonprofit contributions  | 29,153                    | -                      | 29,153              | 22,635              |
| In-kind gifts  | 118,369                   | -                      | 118,369             | 145,686             |
| Fundraising events   | 39,721                    | -                      | 39,721              | 24,325              |
| Investment income  | 129                       | -                      | 129                 | 182                 |
| Miscellaneous income   | 6,600                     | -                      | 6,600               | 11,807              |
| Transfers from beneficial interest in assets held by others to operations, net | 28,735                    | (2,232)                | 26,503              | 41,038              |
| Net assets released from restrictions  | 76,593                    | (76,593)               | -                   | -                   |
| <b>TOTAL OPERATING REVENUES</b>  | <b>946,485</b>            | <b>(76,252)</b>        | <b>870,233</b>      | <b>906,686</b>      |
| Program Service Expenses   |                           |                        |                     |                     |
| Baykeeper operations   | 392,760                   | -                      | 392,760             | 401,972             |
| Water quality monitoring program   | 184,572                   | -                      | 184,572             | 282,679             |
| Pumpout boat program   | 45,535                    | -                      | 45,535              | 37,588              |
| <b>TOTAL PROGRAM SERVICES</b>  | <b>622,867</b>            | <b>-</b>               | <b>622,867</b>      | <b>722,239</b>      |
| Management and general expenses  | 120,912                   | -                      | 120,912             | 107,768             |
| Fundraising expenses   | 139,752                   | -                      | 139,752             | 142,834             |
| Special events   | 94,440                    | -                      | 94,440              | 90,486              |
| <b>TOTAL OPERATING EXPENSES</b>  | <b>977,971</b>            | <b>-</b>               | <b>977,971</b>      | <b>1,063,327</b>    |
| <b>CHANGES IN NET ASSETS FROM OPERATIONS</b>                                   | <b>(31,486)</b>           | <b>(76,252)</b>        | <b>(107,738)</b>    | <b>(156,641)</b>    |
| <b>NONOPERATING ACTIVITY</b>   |                           |                        |                     |                     |
| Other contributions  | -                         | 100                    | 100                 | 785                 |
| Investment income  | -                         | 7,064                  | 7,064               | 7,801               |
| Net realized and unrealized investment gains                                   | -                         | 81,920                 | 81,920              | 96,452              |
| Investment fees  | -                         | (13,415)               | (13,415)            | (8,582)             |
| <b>CHANGES IN NET ASSETS FROM NONOPERATING ACTIVITY</b>                        | <b>-</b>                  | <b>75,669</b>          | <b>75,669</b>       | <b>96,456</b>       |
| <b>TOTAL CHANGES IN NET ASSETS</b>   | <b>(31,486)</b>           | <b>(583)</b>           | <b>(32,069)</b>     | <b>(60,185)</b>     |
| <b>NET ASSETS AT BEGINNING OF PERIOD</b>                                       | <b>413,260</b>            | <b>910,672</b>         | <b>1,323,932</b>    | <b>1,384,117</b>    |
| <b>NET ASSETS AT END OF PERIOD</b>   | <b>\$ 381,774</b>         | <b>\$ 910,089</b>      | <b>\$ 1,291,863</b> | <b>\$ 1,323,932</b> |

See independent accountants' compilation report and notes to the financial statements.

STATEMENTS OF FUNCTIONAL EXPENSES--CONTINUED

FRIENDS OF CASCO BAY

Year Ended March 31, 2017

|                                 | <u>Baykeeper<br/>Operations</u> | <u>Water Quality<br/>Monitoring</u> | <u>Pumpout<br/>Boat</u> | <u>Total<br/>Programs</u> | <u>Management &amp;<br/>General</u> | <u>Fundraising<br/>Expenses</u> | <u>Special Events</u> | <u>Total<br/>Expenses</u> |
|---------------------------------|---------------------------------|-------------------------------------|-------------------------|---------------------------|-------------------------------------|---------------------------------|-----------------------|---------------------------|
| <b>PERSONNEL</b>                |                                 |                                     |                         |                           |                                     |                                 |                       |                           |
| Salaries and wages              | \$ 241,005                      | \$ 75,753                           | \$ 27,094               | \$ 343,852                | \$ 86,869                           | \$ 79,577                       | \$ 29,220             | \$ 539,518                |
| Employee benefits and taxes     | 55,807                          | 10,756                              | 2,555                   | 69,118                    | 16,094                              | 19,600                          | 7,295                 | 112,107                   |
|                                 | <u>296,812</u>                  | <u>86,509</u>                       | <u>29,649</u>           | <u>412,970</u>            | <u>102,963</u>                      | <u>99,177</u>                   | <u>36,515</u>         | <u>651,625</u>            |
| <b>OTHER EXPENSES</b>           |                                 |                                     |                         |                           |                                     |                                 |                       |                           |
| Advertising                     | 1,540                           | -                                   | -                       | 1,540                     | -                                   | -                               | 248                   | 1,788                     |
| Bank and processing fees        | 14                              | 5                                   | 2                       | 21                        | 340                                 | 2,307                           | 2                     | 2,670                     |
| Boat and truck operation        | 3,387                           | 5,496                               | 4,387                   | 13,270                    | -                                   | -                               | 9                     | 13,279                    |
| Computers and server expenses   | 1,377                           | 503                                 | 158                     | 2,038                     | 678                                 | 515                             | 237                   | 3,468                     |
| Conferences, seminars, meetings | 2,452                           | 547                                 | 13                      | 3,012                     | 57                                  | 43                              | 20                    | 3,132                     |
| Copier/printer expenses         | 3,367                           | 1,230                               | 387                     | 4,984                     | 1,657                               | 1,259                           | 580                   | 8,480                     |
| Bad pledge expense              | -                               | -                                   | -                       | -                         | -                                   | 3,500                           | -                     | 3,500                     |
| Boat and truck depreciation     | 11,009                          | 12,551                              | 3,596                   | 27,156                    | -                                   | -                               | -                     | 27,156                    |
| Other depreciation              | -                               | -                                   | -                       | -                         | 2,870                               | -                               | 3,250                 | 6,120                     |
| Dues, licenses, publications    | 2,126                           | 241                                 | 76                      | 2,443                     | 325                                 | 1,151                           | 114                   | 4,033                     |
| Equipment                       | -                               | 9,678                               | -                       | 9,678                     | -                                   | 1,433                           | -                     | 11,111                    |
| In-kind expenses                | 27,603                          | 51,296                              | 3,539                   | 82,438                    | 991                                 | 6,533                           | 28,407                | 118,369                   |
| Insurance                       | 972                             | 1,919                               | 112                     | 3,003                     | 479                                 | 364                             | 167                   | 4,013                     |
| Laboratory fees                 | -                               | 2,549                               | -                       | 2,549                     | -                                   | -                               | -                     | 2,549                     |
| Payroll processing fees         | 1,790                           | 522                                 | 179                     | 2,491                     | 621                                 | 598                             | 221                   | 3,931                     |
| Printing and postage            | 11,785                          | 878                                 | 117                     | 12,780                    | 474                                 | 11,571                          | 8,314                 | 33,139                    |
| Professional fees               | 3,501                           | 775                                 | 244                     | 4,520                     | 1,044                               | 5,378                           | 1,732                 | 12,674                    |
| Rents                           | 10,244                          | 2,701                               | 851                     | 13,796                    | 3,164                               | 2,764                           | 10,561                | 30,285                    |
| Repairs and maintenance         | 397                             | 145                                 | 46                      | 588                       | 195                                 | 148                             | 68                    | 999                       |
| Software and tools              | 1,605                           | 357                                 | 112                     | 2,074                     | 481                                 | 365                             | 168                   | 3,088                     |
| Supplies                        | 5,610                           | 4,254                               | 1,005                   | 10,869                    | 1,889                               | 1,374                           | 3,188                 | 17,320                    |
| Telephone                       | 2,723                           | 937                                 | 992                     | 4,652                     | 792                                 | 912                             | 277                   | 6,633                     |
| Travel                          | 3,989                           | 1,312                               | 17                      | 5,318                     | 1,667                               | 189                             | 283                   | 7,457                     |
| Utilities                       | 457                             | 167                                 | 53                      | 677                       | 225                                 | 171                             | 79                    | 1,152                     |
|                                 | <u>\$ 392,760</u>               | <u>\$ 184,572</u>                   | <u>\$ 45,535</u>        | <u>\$ 622,867</u>         | <u>\$ 120,912</u>                   | <u>\$ 139,752</u>               | <u>\$ 94,440</u>      | <u>\$ 977,971</u>         |

See independent accountants' compilation report and notes to the financial statements.

STATEMENTS OF FUNCTIONAL EXPENSES--CONTINUED

FRIENDS OF CASCO BAY

Year Ended March 31, 2017

|                                 | <u>Baykeeper<br/>Operations</u> | <u>Water Quality<br/>Monitoring</u> | <u>Pumpout<br/>Boat</u> | <u>Total<br/>Programs</u> | <u>Management &amp;<br/>General</u> | <u>Fundraising<br/>Expenses</u> | <u>Special Events</u> | <u>Total<br/>Expenses</u> |
|---------------------------------|---------------------------------|-------------------------------------|-------------------------|---------------------------|-------------------------------------|---------------------------------|-----------------------|---------------------------|
| <b>PERSONNEL</b>                |                                 |                                     |                         |                           |                                     |                                 |                       |                           |
| Salaries and wages              | \$ 257,894                      | \$ 109,594                          | \$ 21,693               | \$ 389,181                | \$ 67,441                           | \$ 89,993                       | \$ 22,886             | \$ 569,501                |
| Employee benefits and taxes     | 50,827                          | 31,116                              | 2,329                   | 84,272                    | 11,437                              | 21,598                          | 5,318                 | 122,625                   |
|                                 | <u>308,721</u>                  | <u>140,710</u>                      | <u>24,022</u>           | <u>473,453</u>            | <u>78,878</u>                       | <u>111,591</u>                  | <u>28,204</u>         | <u>692,126</u>            |
| <b>OTHER EXPENSES</b>           |                                 |                                     |                         |                           |                                     |                                 |                       |                           |
| Advertising                     | 932                             | -                                   | -                       | 932                       | -                                   | -                               | 763                   | 1,695                     |
| Bank and Processing Fees        | 725                             | 330                                 | 56                      | 1,111                     | 415                                 | 2,192                           | 66                    | 3,784                     |
| Boat and Truck Operation        | 8,126                           | 6,105                               | 5,396                   | 19,627                    | -                                   | -                               | 99                    | 19,726                    |
| Computers/Copier Expenses       | 4,045                           | 2,174                               | 379                     | 6,598                     | 1,576                               | 1,665                           | 313                   | 10,152                    |
| Conferences, Seminars, Meetings | 658                             | 403                                 | -                       | 1,061                     | -                                   | 320                             | -                     | 1,381                     |
| Boat and Truck Depreciation     | 16,265                          | 7,205                               | 3,685                   | 27,155                    | -                                   | -                               | -                     | 27,155                    |
| Other Depreciation              | -                               | 174                                 | -                       | 174                       | 4,679                               | 4,334                           | -                     | 9,187                     |
| Dues, Licenses, Publications    | 2,510                           | 496                                 | 87                      | 3,093                     | 359                                 | 405                             | 71                    | 3,928                     |
| Equipment                       | -                               | 27,156                              | -                       | 27,156                    | -                                   | -                               | -                     | 27,156                    |
| Food for Events                 | 2,924                           | -                                   | -                       | 2,924                     | -                                   | -                               | 6,835                 | 9,759                     |
| In-Kind Expenses                | 13,864                          | 74,306                              | 1,209                   | 89,379                    | 12,659                              | 2,678                           | 40,970                | 145,686                   |
| Insurance                       | 1,066                           | 1,919                               | 100                     | 3,085                     | 415                                 | 439                             | 83                    | 4,022                     |
| Laboratory Fees                 | -                               | 1,287                               | -                       | 1,287                     | -                                   | -                               | -                     | 1,287                     |
| Office Supplies/Services        | 2,073                           | 1,114                               | 194                     | 3,381                     | 808                                 | 853                             | 160                   | 5,202                     |
| Payroll Processing Fees         | 1,237                           | 564                                 | 96                      | 1,897                     | 316                                 | 447                             | 113                   | 2,773                     |
| Printing and Postage            | 11,615                          | 815                                 | 156                     | 12,586                    | 324                                 | 7,107                           | 2,456                 | 22,473                    |
| Professional Fees               | 2,602                           | 990                                 | 173                     | 3,765                     | 718                                 | 4,109                           | 3,869                 | 12,461                    |
| Rents                           | 7,419                           | 3,986                               | 696                     | 12,101                    | 3,591                               | 3,053                           | 3,477                 | 22,222                    |
| Repairs and Maintenance         | 335                             | 180                                 | 31                      | 546                       | 130                                 | 138                             | 26                    | 840                       |
| Software and Tools              | 446                             | 106                                 | -                       | 552                       | -                                   | -                               | -                     | 552                       |
| Supplies                        | 5,284                           | 9,185                               | 505                     | 14,974                    | 623                                 | 1,948                           | 2,557                 | 20,102                    |
| Telephone                       | 2,598                           | 1,292                               | 765                     | 4,655                     | 659                                 | 978                             | 124                   | 6,416                     |
| Travel                          | 8,158                           | 1,984                               | 3                       | 10,145                    | 1,474                               | 425                             | 271                   | 12,315                    |
| Utilities                       | 369                             | 198                                 | 35                      | 602                       | 144                                 | 152                             | 29                    | 927                       |
|                                 | <u>\$ 401,972</u>               | <u>\$ 282,679</u>                   | <u>\$ 37,588</u>        | <u>\$ 722,239</u>         | <u>\$ 107,768</u>                   | <u>\$ 142,834</u>               | <u>\$ 90,486</u>      | <u>\$ 1,063,327</u>       |

See independent accountants' compilation report and notes to the financial statements.



STATEMENTS OF CASH FLOWS

FRIENDS OF CASCO BAY

Years Ended March 31, 2018 and 2017

|   | <u>2018</u>       | <u>2017</u>       |
|---|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                   |                   |
| Changes in net assets   | \$ (32,069)       | \$ (60,185)       |
| Adjustments to reconcile changes in net assets to net cash used by operating activities |                   |                   |
| Depreciation  | 33,276            | 36,342            |
| Net realized and unrealized investment gains  | (81,920)          | (96,452)          |
| Changes in operating assets and liabilities:  |                   |                   |
| Accounts receivable   | 14,179            | 36,629            |
| Promises to give  | (3,750)           | (3,750)           |
| Prepaid expenses  | 2,861             | (2,968)           |
| Accounts payable  | 4,733             | (7,496)           |
| Other current liabilities   | 87                | 120               |
| Deferred revenue  | (3,900)           | (1,500)           |
| Accrued vacation  | (2,908)           | 1,647             |
| Retirement fund liability   | (26,503)          | (41,039)          |
| <b>NET CASH USED BY OPERATING ACTIVITIES</b>  | <u>(95,914)</u>   | <u>(138,652)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                   |                   |
| Transfers to beneficial interest in assets held by others                               | (100)             | (2,086)           |
| Transfers from beneficial interest in assets held by others                             | 62,967            | 67,664            |
| Net investment fees paid from beneficial interest in assets held by others              | 6,580             | 2,869             |
| <b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>  | <u>69,447</u>     | <u>68,447</u>     |
| <b>NET CHANGE IN CASH</b>   | (26,467)          | (70,205)          |
| Cash at beginning of year   | <u>284,669</u>    | <u>354,874</u>    |
| <b>CASH AT END OF YEAR</b>  | <u>\$ 258,202</u> | <u>\$ 284,669</u> |
| Operating cash  | \$ 150,073        | \$ 149,949        |
| Contingency fund cash   | 108,129           | 108,129           |
| Cash reserved for baykeeper retirement fund   | <u>-</u>          | <u>26,591</u>     |
|   | <u>\$ 258,202</u> | <u>\$ 284,669</u> |

See independent accountants' compilation report and notes to the financial statements.

## NOTES TO FINANCIAL STATEMENTS

### FRIENDS OF CASCO BAY

March 31, 2018 and 2017

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Nature of Activities

Friends of Casco Bay (the "Organization") is a nonprofit environmental organization located in South Portland, Maine, dedicated to improving and protecting the environmental health of Casco Bay. Its programs include the BayKeeping program, water quality monitoring, vessel pumpout services, and BayScaping programs. Friends of Casco Bay's operations are funded through donations, foundation grants, and government grants and contracts.

##### Basis of Accounting

The Organization prepares its financial statements on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

##### Basis of Presentation

The accompanying financial statements include the assets, liabilities, and net assets of the Organization. The Organization is required to report information regarding its financial position and activities according to three classes of net assets based on the existence or absence of donor imposed restrictions and the nature of those restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

The 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 Organization's financial statements for the year ended March 31, 2017, from which the summarized information was derived.

##### Cash and Cash Equivalents

For purposes of the statements of cash flows, management considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

##### Accounts Receivable

Accounts receivable is recorded net of an allowance for doubtful accounts. The allowance is estimated from historical performance and projections of trends. At March 31, 2018 and 2017, the allowance for doubtful accounts was \$180 and \$330, respectively.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

See independent accountants' compilation report.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

FRIENDS OF CASCO BAY

March 31, 2018 and 2017

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Income Taxes

Friends of Casco Bay is a not-for-profit organization exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and, therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined not to be a private foundation under Section 509(a) of the Code.

The Organization's policy is to record tax related interest expense and penalties assessed by taxing authorities in general and administrative expenses. For the years ended March 31, 2018 and 2017, there was no tax related interest or penalties expense recorded and no accrued interest and penalties.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support when received, depending on the existence or nature of donor restrictions. Promises to give are recorded as temporarily restricted net assets until collected. When a restriction has been met or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of assets other than cash are recorded at their estimated market value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions received is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution, and the nature of the fund raising activity.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenue of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the same time of acquisition of such long-lived assets.

Revenues

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets by fulfillment of the donor-stipulated purposes or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets.

Property and Equipment

The Organization records property and equipment at cost, or fair market value if donated. Costs that do not significantly increase the useful life of an asset are charged to repairs and maintenance. Depreciation is computed using the straight-line method over the useful lives of the assets.

See independent accountants' compilation report.

## NOTES TO FINANCIAL STATEMENTS--CONTINUED

### FRIENDS OF CASCO BAY

March 31, 2018 and 2017

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

##### Promises to Give

Promises to give are recorded when the donor makes a promise to give to the Organization. Promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Significant promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received. All promises to give are receivable in less than one year.

##### Beneficial Interest in Assets Held by Others

As more fully described in Note C, the Organization is the beneficiary of an endowment fund held by Maine Community Foundation. The assets are invested in debt and equity securities and the Organization records its interest in the endowment fund at the fair value of the underlying assets. Realized and unrealized gains and losses and investment income from the fund are included in the statement of activities as nonoperating revenue.

##### Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program are allocated directly according to their natural expense classification.

##### Advertising

The Organization expenses advertising costs as they are incurred. Advertising expense for the years ended March 31, 2018 and 2017 were \$1,788 and \$1,695, respectively.

##### Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 841). Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. The guidance is required to be applied by the modified retrospective transition approach. Early adoption is permitted. The Organization is currently assessing the impact of the adoption of this authoritative guidance on the financial statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments – Overall (subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. This ASU updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the calendar year 2019. The Organization is currently assessing the impact that the adoption of ASU 2016-01 may have on the financial statements.

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## NOTES TO FINANCIAL STATEMENTS--CONTINUED

### FRIENDS OF CASCO BAY

March 31, 2018 and 2017

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

##### Recent Accounting Pronouncements--Continued

In August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, that changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. The ASU requires amended presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors and other users. The amendment is effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendment is permitted. Application to interim financial statements is permitted but not required in the initial year of application. The Organization is assessing the impact of ASU 2016-14 on its financial statements.

#### NOTE B--SIGNIFICANT CONCENTRATION OF CREDIT RISK

##### Credit Risk

The Organization maintains a majority of its cash balances in one financial institution located in South Portland, Maine. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. Balances in certain accounts sometimes exceed this amount. The Organization has not experienced any credit losses in the past, and does not believe it is exposed to any significant financial risk on these account balances.

##### Market Value Risk

The Organization, through its beneficial interest in assets held by others, invests in stocks, mutual funds and fixed income securities. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect balances and the amounts reported in the financial statements.

#### NOTE C--BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In 2001, the Organization established an endowment fund (the "Fund") with the Maine Community Foundation ("MCF"). The account is used to invest, as long-term investments, proceeds from capital campaign pledges that were collected to support the Baykeeper program. Net income from the Fund may be distributed to Friends of Casco Bay at least annually. Distributions in excess of net income may also be made to Friends of Casco Bay with the approval of MCF's Board of Directors upon recommendation of Friends of Casco Bay.

While the Organization has designated itself as the beneficiary of the Fund, MCF retains a variance power over the Fund. The variance power allows MCF to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations if, in the judgment of MCF, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. At March 31, 2018 and 2017, the endowment fund had values of \$742,872 and \$724,826, respectively, which are reported in the statement of financial position as beneficial interest in assets held by others, and is included in Net Assets as a temporarily restricted net asset for future use related to baykeeping programs.

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NOTES TO FINANCIAL STATEMENTS--CONTINUED

FRIENDS OF CASCO BAY

March 31, 2018 and 2017

NOTE C--BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS--Continued

The Organization also has two other funds with Maine Community Foundation, the Baykeeper Boats Fund and the Emeritus Fund for Advocacy. The Baykeeper Boats Fund is temporarily restricted for future boat purchases, repairs and maintenance. The Emeritus Fund for Advocacy is temporarily restricted for future use related to advocacy of the Organization and its mission. These funds follow the same MCF guidelines and regulations as the endowment fund. The balance of the Baykeeper Boats Fund as of March 31, 2018 and 2017 was \$107,119 and \$108,025, respectively. The balance of the Emeritus Fund for Advocacy as of March 31, 2018 and 2017 was \$57,527 and \$62,194, respectively.

NOTE D--DESIGNATED NET ASSETS

Designated net assets represent unrestricted net assets designated by the Board and are comprised of the following:

|   | March 31,<br>2018 | March 31,<br>2017 |
|---|-------------------|-------------------|
|   | <u>          </u> | <u>          </u> |
| Cash reserved for contingencies           | \$ 76,566         | \$ 76,566         |
| Cash reserved for legal fee contingencies | 31,563            | 31,563            |
|   | <u>          </u> | <u>          </u> |
| Totals                                    | <u>\$ 108,129</u> | <u>\$ 108,129</u> |

NOTE E--TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent net assets restricted by outside donors for the following purposes:

|   | March 31,<br>2018 | March 31,<br>2017 |
|---|-------------------|-------------------|
|   | <u>          </u> | <u>          </u> |
| Beneficial interest in assets held by others: |                   |                   |
| Baykeeping fund                               | \$ 742,872        | \$ 726,828        |
| Boats fund                                    | 107,119           | 108,025           |
| Advocacy fund                                 | 57,527            | 62,194            |
| Other program funds:                          |                   |                   |
| WQM kits                                      | -                 | 7,500             |
| Casco Bay curriculum                          | -                 | 3,125             |
| Various                                       | 2,571             | 3,000             |
|   | <u>          </u> | <u>          </u> |
| Totals  | <u>\$ 910,089</u> | <u>\$ 910,672</u> |

See independent accountants' compilation report.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

FRIENDS OF CASCO BAY

March 31, 2018 and 2017

NOTE E--TEMPORARILY RESTRICTED NET ASSETS--Continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors, as follows:

|                                       | Year Ended<br>March 31, 2018 | Year Ended<br>March 31, 2017 |
|---------------------------------------|------------------------------|------------------------------|
| Baykeeping programs                   | \$ 42,968                    | \$ 47,664                    |
| Ocean acidification                   | -                            | 19,000                       |
| Boats fund                            | 10,000                       | 10,000                       |
| WQM Kits                              | 7,500                        | 7,500                        |
| Various                               | 6,125                        | 50,000                       |
| Advocacy                              | 10,000                       | 10,000                       |
|                                       | <u>76,593</u>                | <u>144,164</u>               |
| Net assets released from restrictions | <u>\$ 76,593</u>             | <u>\$ 144,164</u>            |

NOTE F--LINE OF CREDIT

At March 31, 2018 and 2017, the Organization had a line of credit available for \$50,000. There was no balance outstanding at March 31, 2018 or 2017. Terms of the credit agreement provide for interest at the Wall Street Journal prime rate. All accounts receivable, equipment, inventory, and general intangibles of Friends of Casco Bay are assigned as collateral.

The carrying value of assets that are pledged for the line of credit was \$160,105 as of March 31, 2018.

NOTE G--IN-KIND GIFTS

In-kind gifts are valued at the fair market of the services or goods received based on an arms-length transaction.

During the years ended March 31, 2018 and 2017, in-kind contributions consisted of the following:

|  | Year Ended<br>March 31, 2018 | Year Ended<br>March 31, 2017 |
|--|------------------------------|------------------------------|
| Water quality monitoring                 | \$ 51,296                    | \$ 74,306                    |
| Baykeeper                                | 27,603                       | 13,864                       |
| Pumpout                                  | 3,539                        | 1,209                        |
| Fundraising                              | 6,533                        | 2,678                        |
| Special events                           | 28,407                       | 40,970                       |
| Office equipment, supplies, and meetings | 991                          | 12,659                       |
|  | <u>118,369</u>               | <u>145,686</u>               |
|  | <u>\$ 118,369</u>            | <u>\$ 145,686</u>            |

See independent accountants' compilation report.

## NOTES TO FINANCIAL STATEMENTS--CONTINUED

### FRIENDS OF CASCO BAY

March 31, 2018 and 2017

#### NOTE H--LEASE

The Organization rents its single office location from Southern Maine Community College. The term of the lease was for three years beginning March 1, 2013 and expired on February 29, 2016. The Organization paid \$1,420 per month increasing 3% each year beginning March 1, 2013. At the expiration of the lease, the Organization rents on a month-to-month basis at a monthly amount of \$1,552. Office and other rent expense for the years ended March 31, 2018 and 2017 was \$30,285 and \$22,222, respectively.

#### NOTE I--RETIREMENT PLAN

The Organization has a tax deferred annuity plan established under Section 403(b) of the Internal Revenue Code. All employees scheduled to work 20 or more hours per week are eligible to participate and may elect to defer compensation up to the maximum amount allowed by the IRS. In addition, the Organization makes matching contributions for eligible employees. The Organization's contributions for the year ended March 31, 2018 and 2017 were \$19,688 and \$18,195, respectively.

#### NOTE J--RETIREMENT AGREEMENT

During the year ended March 31, 2015, the Organization entered into an agreement with the former Baykeeper upon his retirement on January 9, 2015. As part of the agreement, the Organization provided severance pay and paid a portion of dental insurance through March 31, 2015. The Organization also gave a service recognition award in the amount of \$41,000. As part of the agreement, the Organization made disability equivalent payments in the annualized amount of \$36,000 in biweekly installments starting the first payroll period after March 31, 2015 through the earliest of November 18, 2017, the date the former Baykeeper accepted employment with an employer of more than 20 hours per week or the date of the former Baykeeper's death. The Organization also paid the life insurance premiums for the former Baykeeper for the years 2015 through 2017. The amount paid related to this agreement during the years ended March 31, 2018 and 2017 was \$29,646 and \$47,644, respectively. As of November 2017, the Organization had satisfied all terms of this agreement and no further obligations are due.

#### NOTE K--FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the Organization's financial instruments approximate their carrying amounts, either because the expected collection or payment period is relatively short or because the terms are similar to market terms.

#### NOTE L--SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through November 9, 2018, the date the financial statements were available to be issued.

See independent accountants' compilation report.