



FINANCIAL STATEMENTS

December 31, 2014 and 2013

With Independent Auditor's Report





INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Maine Sea Coast Mission

We have audited the accompanying financial statements of The Maine Sea Coast Mission, which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Maine Sea Coast Mission as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Berry Dunn McNeil & Parker, LLC

Bangor, Maine
June 3, 2015

THE MAINE SEA COAST MISSION

Statements of Financial Position

December 31, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents (Note 15)	\$ 397,328	\$ 7,039
Cash received and held for specific projects and endowment (Note 2)	556,159	452,588
Accounts receivable	15,193	29,287
Prepaid expenses	68,122	60,881
Contributions and grants receivable, net (Notes 2 and 3)	2,552,857	1,932,978
Property and equipment, net of accumulated depreciation (Note 4)	3,198,781	3,185,673
Donated land held for sale (Note 16)	200,000	200,000
Split-interest agreements (Notes 6 and 9)	720,372	743,327
Beneficiary interest in perpetual trusts (Notes 5 and 9)	4,875,111	4,864,217
Investments (Notes 7, 8, 9 and 15)	<u>30,374,683</u>	<u>29,801,592</u>
Total assets	<u>\$ 42,958,606</u>	<u>\$ 41,277,582</u>

LIABILITIES AND NET ASSETS

	<u>2014</u>	<u>2013</u>
Accounts payable and accrued expenses	\$ 164,457	\$ 122,462
Deferred revenue	5,400	6,000
Due to other organizations and deposits	1,838	1,500
Gift annuity payable (Note 7)	<u>11,854</u>	<u>12,276</u>
Total liabilities	<u>183,549</u>	<u>142,238</u>
Net assets		
Unrestricted		
Board-designated endowment funds (Note 8)	19,469,280	19,495,870
Undesignated funds	<u>3,467,538</u>	<u>3,322,221</u>
Total unrestricted	22,936,818	22,818,091
Temporarily restricted (Notes 8 and 10)	4,314,641	4,878,402
Permanently restricted (Notes 8 and 12)	<u>15,523,598</u>	<u>13,438,851</u>
Total net assets	<u>42,775,057</u>	<u>41,135,344</u>
Total liabilities and net assets	<u>\$ 42,958,606</u>	<u>\$ 41,277,582</u>

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

THE MAINE SEA COAST MISSION

Statement of Activities

Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenue, gains and other support				
Contributions and grants (Note 14)	\$ 1,264,883	\$ 305,820	\$ -	\$ 1,570,703
Special events	150,663	-	-	150,663
Gain on disposal of equipment	1,424	-	-	1,424
Program and other	48,258	-	-	48,258
Investment appropriation withdrawn for operations (Note 8)	1,160,715	194,463	-	1,355,178
Net assets released from restrictions (Note 11)	<u>926,336</u>	<u>(926,336)</u>	<u>-</u>	<u>-</u>
Total operating revenue, gains and other support	<u>3,552,279</u>	<u>(426,053)</u>	<u>-</u>	<u>3,126,226</u>
Operating expenses				
Program	2,991,491	-	-	2,991,491
Management and general	267,315	-	-	267,315
Development and fundraising	<u>308,009</u>	<u>-</u>	<u>-</u>	<u>308,009</u>
Total operating expenses	<u>3,566,815</u>	<u>-</u>	<u>-</u>	<u>3,566,815</u>
Net operating income (loss)	<u>(14,536)</u>	<u>(426,053)</u>	<u>-</u>	<u>(440,589)</u>
Non-operating income (loss)				
Net assets released from restrictions (Note 11)	111,656	(111,656)	-	-
Endowment contributions	-	-	2,073,853	2,073,853
Change in value of split-interest agreements (Notes 6 and 9)	-	(22,956)	-	(22,956)
Change in value of beneficiary interest in perpetual trusts (Notes 5 and 9)	-	-	10,894	10,894
Net investment gain (loss) greater than withdrawals for operations and capital projects (Note 8)	<u>21,607</u>	<u>(3,096)</u>	<u>-</u>	<u>18,511</u>
Net non-operating income (loss)	<u>133,263</u>	<u>(137,708)</u>	<u>2,084,747</u>	<u>2,080,302</u>
Change in net assets	118,727	(563,761)	2,084,747	1,639,713
Net assets, beginning of year	<u>22,818,091</u>	<u>4,878,402</u>	<u>13,438,851</u>	<u>41,135,344</u>
Net assets, end of year	<u>\$ 22,936,818</u>	<u>\$ 4,314,641</u>	<u>\$ 15,523,598</u>	<u>\$ 42,775,057</u>

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

THE MAINE SEA COAST MISSION

Statement of Activities

Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenue, gains and other support				
Contributions and grants (Note 14)	\$ 1,193,370	\$ 408,935	\$ -	\$ 1,602,305
Special events	217,360	-	-	217,360
Gain on disposal of equipment	11,411	-	-	11,411
Program and other	41,752	-	-	41,752
Investment appropriation withdrawn for operations (Note 8)	1,128,493	192,672	-	1,321,165
Net assets released from restrictions (Note 11)	<u>946,777</u>	<u>(946,777)</u>	<u>-</u>	<u>-</u>
Total operating revenue, gains and other support	<u>3,539,163</u>	<u>(345,170)</u>	<u>-</u>	<u>3,193,993</u>
Operating expenses				
Program	2,984,983	-	-	2,984,983
Management and general	282,705	-	-	282,705
Development and fundraising	<u>301,793</u>	<u>-</u>	<u>-</u>	<u>301,793</u>
Total operating expenses	<u>3,569,481</u>	<u>-</u>	<u>-</u>	<u>3,569,481</u>
Net operating loss	<u>(30,318)</u>	<u>(345,170)</u>	<u>-</u>	<u>(375,488)</u>
Non-operating income				
Net assets released from restrictions (Note 11)	200,069	(200,069)	-	-
Endowment contributions	-	-	1,395,552	1,395,552
Change in value of split-interest agreements (Notes 6 and 9)	-	(21,843)	-	(21,843)
Change in value of beneficiary interest in perpetual trusts (Notes 5 and 9)	-	-	436,861	436,861
Investment income withdrawn for capital and other non-operating projects (Note 8)	169,000	-	-	169,000
Net investment gain greater than withdrawals for operations (Note 8)	<u>1,856,858</u>	<u>285,252</u>	<u>-</u>	<u>2,142,110</u>
Net non-operating income	<u>2,225,927</u>	<u>63,340</u>	<u>1,832,413</u>	<u>4,121,680</u>
Change in net assets	2,195,609	(281,830)	1,832,413	3,746,192
Net assets, beginning of year	<u>20,622,482</u>	<u>5,160,232</u>	<u>11,606,438</u>	<u>37,389,152</u>
Net assets, end of year	\$ <u>22,818,091</u>	\$ <u>4,878,402</u>	\$ <u>13,438,851</u>	\$ <u>41,135,344</u>

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

THE MAINE SEA COAST MISSION

Statement of Functional Expenses

Year Ended December 31, 2014

	Youth Development Programs	Direct Service Programs	Island Outreach Programs	Total Programs	Management and General	Development and Fundraising	Total Expenses
Salaries and benefits (Note 13)	\$ 654,391	\$ 328,903	\$ 410,457	\$ 1,393,751	\$ 409,138	\$ 253,342	\$ 2,056,231
Contract labor	31,800	46,692	2,750	81,242	-	11,093	92,335
Travel and training	33,568	17,967	14,542	66,077	9,667	9,439	85,183
Subscriptions and registrations	1,202	503	14,611	16,316	2,979	2,487	21,782
Utilities	14,872	69,360	63,415	147,647	-	2,065	149,712
Maintenance and repairs	7,190	19,278	39,989	66,457	13,519	1,736	81,712
Busing	66,072	-	-	66,072	-	-	66,072
Depreciation	28,467	85,854	86,894	201,215	15,684	4,182	221,081
Professional fees	5,999	10,569	9,588	26,156	65,940	6,272	98,368
Food and events	15,055	45,006	25,084	85,145	7,499	42,849	135,493
Board expense	-	-	-	-	1,314	-	1,314
Other direct program expense	141,572	164,810	5,533	311,915	-	-	311,915
Insurance	17,400	23,143	29,874	70,417	19,196	-	89,613
Advertising and marketing	2,016	1,165	4,133	7,314	102	16,523	23,939
Printing	75	203	5,829	6,107	1,946	18,902	26,955
Postage and shipping	1,525	66	331	1,922	5,863	9,977	17,762
Supplies	33,190	14,830	20,195	68,215	14,787	1,580	84,582
Bank fees	27	(12)	6	21	170	2,575	2,766
Administrative overhead	214,001	73,261	88,240	375,502	(300,489)	(75,013)	-
Total expenses	\$ 1,268,422	\$ 901,598	\$ 821,471	\$ 2,991,491	\$ 267,315	\$ 308,009	\$ 3,566,815

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

THE MAINE SEA COAST MISSION

Statement of Functional Expenses

Year Ended December 31, 2013

	Youth Development Programs	Direct Service Programs	Island Outreach Programs	Total Programs	Management and General	Development and Fundraising	Total Expenses
Salaries and benefits (Note 13)	\$ 649,484	\$ 352,612	\$ 441,456	\$ 1,443,552	\$ 409,820	\$ 256,074	\$ 2,109,446
Contract labor	33,811	17,616	6,700	58,127	-	-	58,127
Travel and training	26,779	13,580	18,047	58,406	12,958	210	71,574
Subscriptions and registrations	888	325	14,379	15,592	2,829	3,293	21,714
Utilities	16,067	76,533	65,872	158,472	68	1,151	159,691
Maintenance and repairs	6,360	17,856	42,391	66,607	10,622	1,693	78,922
Busing	66,325	-	-	66,325	-	-	66,325
Depreciation	26,329	81,305	84,226	191,860	15,019	1,650	208,529
Professional fees	9,086	2,496	12,099	23,681	59,908	16,665	100,254
Food and events	15,524	32,987	22,326	70,837	10,150	37,701	118,688
Board expense	-	-	-	-	2,782	-	2,782
Other direct program expense	141,121	162,588	8,521	312,230	-	35	312,265
Insurance	13,617	21,892	28,119	63,628	18,070	-	81,698
Advertising and marketing	1,182	2,049	790	4,021	126	14,920	19,067
Printing	357	849	5,020	6,226	3,227	20,471	29,924
Postage and shipping	1,059	272	346	1,677	5,642	9,887	17,206
Supplies	47,992	20,281	5,833	74,106	25,766	4,010	103,882
Bank fees	24	24	91	139	966	2,564	3,669
Administrative overhead	207,300	73,067	89,130	369,497	(295,248)	(74,249)	-
Uncollectible pledges	-	-	-	-	-	5,718	5,718
Total expenses	\$ 1,263,305	\$ 876,332	\$ 845,346	\$ 2,984,983	\$ 282,705	\$ 301,793	\$ 3,569,481

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

THE MAINE SEA COAST MISSION

Statements of Cash Flows

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ 1,639,713	\$ 3,746,192
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	221,081	208,529
Gain on disposal of equipment	(1,424)	(11,411)
Net realized and unrealized gain on investments (Note 8)	(910,850)	(3,419,144)
Change in value of beneficiary interest in perpetual trusts (Notes 5 and 9)	(10,894)	(436,861)
Change in value of split-interest agreements (Notes 6 and 9)	22,955	21,843
Change in value of other assets	-	40,391
Contributions restricted for long-term investment	(2,090,506)	(1,405,155)
Decrease (increase) in		
Accounts receivable	14,094	2,237
Prepaid expenses	(7,241)	(15,711)
Contributions and grants receivable (Note 3)	315,250	(161,887)
Increase (decrease) in		
Accounts payable and accrued expenses	41,995	(4,671)
Deferred revenue	(600)	-
Due to other organizations and deposits	338	(10,681)
Gift annuities payable (Note 7)	(422)	(434)
Net cash used by operating activities	<u>(766,511)</u>	<u>(1,446,763)</u>
Cash flows from investing activities		
Purchases of investments	(15,432,731)	(33,131,150)
Proceeds from sale of investments	15,770,490	34,038,401
Purchase of property and equipment	(241,950)	(636,667)
Proceeds from sale of property and equipment	<u>9,185</u>	<u>17,250</u>
Net cash provided by investing activities	<u>104,994</u>	<u>287,834</u>
Cash flows from financing activities		
Proceeds from contributions restricted for long-term investment	<u>1,155,377</u>	<u>509,017</u>
Net increase (decrease) in cash and cash equivalents	493,860	(649,912)
Cash and cash equivalents, beginning of year	<u>459,627</u>	<u>1,109,539</u>
Cash and cash equivalents, end of year	<u>\$ 953,487</u>	<u>\$ 459,627</u>
Additional disclosure:		
Cash and cash equivalents	\$ 397,328	\$ 7,039
Cash received and held for specific projects and endowment	<u>556,159</u>	<u>452,588</u>
	<u>\$ 953,487</u>	<u>\$ 459,627</u>

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

THE MAINE SEA COAST MISSION

Notes to Financial Statements

December 31, 2014 and 2013

1. Purpose of Organization and Nature of Activities

The Maine Sea Coast Mission (the Mission) provides spiritual, health and youth development programs in coastal and island communities from Mid-Coast to Downeast Maine. Rooted in a history of non-denominational service, the Mission offers hope, encouragement and help to strengthen individuals, families and communities.

Following is a summary of the Mission's activities:

Youth Development Programs

The EdGE

Students in grades four through twelve are helped to gain the skills they need to succeed as students and to build their character and confidence through a multi-site in-school, after-school and summer program.

Scholarship Program

Grants are provided to students from island and coastal communities to enable them to attend college.

Direct Service Programs

Downeast Campus Community Outreach

People in need in Downeast Maine receive a variety of services operating out of the Downeast Campus in Cherryfield, Maine. Services include: a food pantry, a senior companion program, fuel assistance, collaborations with visiting church groups to rebuild and weatherize local homes, providing clothing vouchers, spiritual walking trails and many community-building gatherings.

Christmas Program

The Mission distributes approximately 18,000 donated gifts each Christmas season to needy individuals on the islands and in coastal communities of Hancock and Washington counties.

Colket Center Community Outreach

The Colket Center serves as the site for memorial services and weddings. Community non-profit groups throughout Downeast Maine use the Colket Center for meetings and classes.

Island Outreach Programs

Outer Island Pastor and Community Support

Pastoral counseling, worship, art instruction, recreation, community support and fellowship are provided to the residents of off-shore islands of Downeast Maine.

Island and Coastal Church Support

Financial support is provided for churches on four small islands off the coast of Maine, providing the island residents with year-round regular church services, counseling as necessary and general support for the island community.

THE MAINE SEA COAST MISSION

Notes to Financial Statements

December 31, 2014 and 2013

Island Health Services

The Mission's Sunbeam nurse makes personal visitations to islanders and runs numerous educational clinics and screening clinics. She also connects island patients to various mainland health providers via telemedicine. Telemedicine is a matrix of preventative and acute health care devices that function through an array of highly technical equipment.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified as follows based on the existence or absence of donor-imposed restrictions as indicated below:

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that may or will be met by actions of the Mission and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Mission. The donors of these assets permit the Mission to use the income earned on related investments for general or specific purposes.

Income Taxes

The Internal Revenue Service has determined that the Mission 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.

Definition of Operations

The statements of activities include net operating income (loss). Changes in net assets which are excluded from net operating income (loss) include net investment gains (loss) greater than withdrawals for operations and capital projects, investment income withdrawn for capital projects, endowment contributions and the change in value thereof, net assets released for capital and other non-operating projects and the change in the value of beneficiary interest in perpetual trusts and split-interest agreements.

THE MAINE SEA COAST MISSION

Notes to Financial Statements

December 31, 2014 and 2013

Cash and Cash Equivalents

The Mission considers all highly-liquid debt instruments with an original maturity of three months or less to be cash or cash equivalents. The Mission maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Mission has not experienced any losses in such accounts. The Mission believes it is not exposed to any significant risk with respect to these accounts.

Cash received and held for specific projects is restricted for the following purposes:

	<u>2014</u>	<u>2013</u>
Development projects	\$ 19,260	\$ -
Bread of Life Food Pantry	-	24,724
EdGE projects	42,041	163,780
Island Health	3,174	10,000
Campfire Coalition	33,781	30,098
Downeast Campus Projects	212,753	154,501
Strategic Planning	19,600	-
Other	<u>2,850</u>	<u>4,135</u>
Temporarily restricted cash received for specific projects	333,459	387,238
Permanently restricted cash received to be deposited into the endowment	<u>222,700</u>	<u>65,350</u>
Total cash received and held for specific projects	<u>\$ 556,159</u>	<u>\$ 452,588</u>

Accounts, Contributions and Grants Receivable

Accounts, contributions and grants receivable are stated at the amount management expects to collect. The Mission considers these receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made. As disclosed in Note 3, multi-year contributions and grants receivable have been reduced to net present value.

Credit is extended at regular terms without collateral.

Property and Equipment

Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor restrictions regarding how long those donated assets must be maintained, the Mission reports expirations of donor restrictions when the donated or acquired assets are capitalized. The Mission reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment is depreciated using the straight-line method over its estimated useful life. It is the Mission's policy to capitalize all personal computers and other assets with a cost exceeding \$2,000 and a useful life of more than one year.

THE MAINE SEA COAST MISSION

Notes to Financial Statements

December 31, 2014 and 2013

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position based on quoted market prices. Other investments, for which no such quotations or valuations are readily available, are carried at fair value as estimated by management using values provided by external investment managers. The Mission reviews and evaluates the valuations provided by the investment managers and believes that these valuations are a reasonable estimate of fair value at December 31, 2014 and 2013 but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed.

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.

Contributions

The Mission reports contributions of cash or other assets, including unconditional promises to give, in the statements of activities when the cash, unconditional promise, or other assets are received. Unconditional promises to give are reported at their net realizable value. Significant noncash contributions are recorded at their fair value at the date of receipt.

The Mission reports contributions as restricted support if the contributions are received with donor restrictions that limit the use of the donated assets and the restrictions are not met within the same reporting period. Contributions subject to donor imposed restrictions that are met in the same reporting period are reported as unrestricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition - Grants

The Mission reports revenues from grants when revenues are earned. Grants received are expended under the terms stated in the guidelines of the grant. Grant revenue earned but not yet received is recorded as grants receivable, and funds received but not yet earned are recorded as deferred revenue.

Functional Expenses

The Mission allocates its expenses on a functional basis among its various programs. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Total program expenses excluding administrative overhead allocation, for December 31, 2014 and 2013 were \$2,615,989 and \$2,615,486, respectively.

THE MAINE SEA COAST MISSION

Notes to Financial Statements

December 31, 2014 and 2013

Subsequent Events

For purposes of the preparation of these financial statements in conformity with GAAP, the Mission has considered transactions or events occurring through June 3, 2015, which was the date that the financial statements were available to be issued.

3. Contributions and Grants Receivable

Contributions and grants receivable consist of unconditional promises to give toward a previous capital campaign for endowment, program support and general operations and are expected to be received as follows:

	<u>2014</u>	<u>2013</u>
Within one year	\$ 2,182,816	\$ 1,311,969
Between one and five years	<u>414,350</u>	<u>706,989</u>
Total contributions and grants receivable	2,597,166	2,018,958
Less discounts to net present value at 5.00%	<u>(44,309)</u>	<u>(85,980)</u>
Net contributions and grants receivable	<u>\$ 2,552,857</u>	<u>\$ 1,932,978</u>

The Mission has been awarded a \$4 million conditional grant for endowment support contingent on the Mission raising equivalent matching funds. The Mission has recognized \$1,006,981 of these matching funds through December 31, 2014. Management anticipates raising the remaining funds available for the match over the next 3 years.

4. Property and Equipment

Property and equipment consists of:

	<u>2014</u>	<u>2013</u>
Land and improvements	\$ 920,573	\$ 909,617
Building and improvements	2,802,357	2,735,467
Vehicles	211,285	230,683
Ships	1,375,400	1,362,704
Equipment	100,339	97,838
Information technology	286,346	284,019
Furniture and fixtures	250,529	248,349
Projects in process	<u>585,469</u>	<u>441,718</u>
	6,532,298	6,310,395
Less accumulated depreciation	<u>(3,333,517)</u>	<u>(3,124,722)</u>
Net property and equipment	<u>\$ 3,198,781</u>	<u>\$ 3,185,673</u>

THE MAINE SEA COAST MISSION

Notes to Financial Statements

December 31, 2014 and 2013

5. Beneficiary Interest in Perpetual Trusts

The Mission is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the Mission. The Mission has legally enforceable rights or claims to such assets, including the right to income therefrom. The Mission has reported the fair value of the underlying trust assets, which approximates the present value of the expected future cash flows of these trusts, as the beneficiary interest in perpetual trusts in the statements of financial position. Net realized gains and losses in trusts held by others are reported as changes in permanently restricted net assets based on the Mission's interpretation of the trustees' policy on income appropriation. Appreciation in such funds is not available for expenditure by the Mission unless the separate trustees of those funds elect to appropriate it. The fair value at December 31, 2014 and 2013 of funds held in trust by others was \$4,875,111 and \$4,864,217, respectively. Income received as distributions for the years ended December 31, 2014 and 2013 of funds held in trust by others was \$153,214 and \$141,884, respectively.

Income earned from these trusts is included with unrestricted contributions and grants in the statements of activities.

6. Split-Interest Agreements

The Mission is the income beneficiary for two charitable lead unitrusts. Each trust will pay the Mission 4% of the trust's fair market value as of January 1 of each year. The first unitrust will terminate in 2029, and the second will terminate in 2039. The present value of the future income stream from these trusts, using a 5% discount rate, was \$720,372 and \$743,327 at December 31, 2014 and 2013, respectively. Income distributions received from the trusts, which are restricted by the donor for the EdGE program, totaled \$65,056 in 2014 and \$59,809 in 2013 and are included in unrestricted contributions in the statements of activities.

7. Charitable Gift Annuities

In a prior year, the Mission received a contribution under a charitable gift annuity agreement. The Mission is to remit payments to the income beneficiary in various installments for the remainder of the beneficiary's life. The present value of the annuity payment liability was \$11,854 at December 31, 2014 and \$12,276 at December 31, 2013. The original amount donated under this charitable gift annuity agreement was \$25,080 and is included in investments.

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8. Investments

Investments at December 31 consist of:

	<u>2014</u>	<u>2013</u>
Cash investments*		
Common stock	\$ 353,035	\$ 3,869,218
Domestic equity funds	-	4,864
International equity funds	8,534,833	6,447,566
Fixed income funds	5,373,358	4,875,840
U.S. Treasury notes and bonds	5,112,616	4,353,858
U.S. Government fixed income (TIPS)	1,105,297	1,160,106
Hedge funds	1,213,259	687,954
Private equity fund	5,092,854	6,090,338
Asset allocation fund	882,912	788,274
	<u>2,706,519</u>	<u>1,523,574</u>
Total investments	<u>\$ 30,374,683</u>	<u>\$ 29,801,592</u>

* 2013 balance includes approximately \$3,300,000 from final redemption of EnTrust Capital Diversified Fund QP Ltd. (EnTrust) at December 31, 2013 and 10% holdback from initial EnTrust redemption in October 2013.

At December 31, 2014, the Mission held approximately \$5,003,600 of its total investments in S&P 500 Index Fund (a domestic equity fund). At December 31, 2013, the Mission held approximately \$9,915,145 of its total investments in two funds, Barlow Partners Offshore, Ltd. (a hedge fund) and S&P 500 Index Fund (a domestic equity fund).

The Mission adopted a policy to annually allocate investment earnings to operations. As noted below, funds are invested with a goal to achieve a real (adjusted for inflation) total long-term return, net of investment management and administrative fees, of at least 5%. Effective June 26, 2013, the Mission adopted a policy of annual spending not to exceed 5% of the previous 12 quarters average balance of investments. The amount allocated to operations is reflected in the statements of activities as follows:

	<u>2014</u>	<u>2013</u>
Interest and dividend income		
Realized gains	\$ 462,839	\$ 213,131
Unrealized gains	312,086	247,571
	<u>598,764</u>	<u>3,171,573</u>
Total investment gains	1,373,689	3,632,275
Operating appropriation	(1,355,178)	(1,321,165)
Capital projects appropriation	-	(169,000)
Investment gain greater than approved spending policy and approved capital projects	<u>\$ 18,511</u>	<u>\$ 2,142,110</u>

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Total investment gains are presented net of investment fees of approximately \$48,100 and \$189,000 for the years ended December 31, 2014 and 2013, respectively.

The long-term investment objective of the Mission is to preserve and enhance the real value of the financial assets of the Mission over time, in order to provide a sufficient rate of return for fulfilling the philanthropic purposes of the Mission. Assets are to be invested prudently in diversified investments that seek to provide total return. Investment decisions are made considering the overall portfolio, resources available and the purpose of the endowment. To accomplish this objective, endowment funds are invested for growth in principal and income, with a goal to achieve a real (adjusted for inflation) total long-term return, net of investment management and administrative fees, of at least 5%.

To achieve its investment objective and to control risk, the Mission's portfolio is diversified across multiple asset classes. The Mission's long-term commitment, to these asset classes is as follows:

<u>Asset Class</u>	<u>Range</u>	<u>Long-Term Target</u>
Investment Grade Fixed Income	13% - 19%	16%
Other Fixed Income*	5% - 9%	7.1%
US Equity	20% - 30%	25.1%
Non-US Equity**	13% - 19%	16.1%
Hedge Funds	12% - 18%	14.7%
Private Equity	0% - 16%	13%
Tactical Tilts	6% - 10%	8%

* Other fixed income may include non-U.S. investment grade debt, high-yield bonds, and emerging markets debt preferred stocks.

** Equities may include publicly traded Real Estate Investment Trusts (REITs).

The Mission has interpreted the State of Maine Uniform Prudent Management of Institutional Funds Act (the Act) as requiring the preservation of the contributed value of the donor-restricted endowment funds absent explicit donor restrictions to the contrary. As a result of this interpretation, the Mission classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. If the donor-restricted endowment assets earn investment returns beyond these amounts, that excess is available for appropriation and, therefore, classified as temporarily restricted net assets until appropriated by the Board for expenditure. Funds designated by the Board of Directors to function as endowments are classified as unrestricted net assets.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Mission to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. These deficiencies were \$384,446 at December 31, 2014 and \$430,355 at December 31, 2013. Future increases in fair value will first restore unrestricted net assets to the

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extent of these prior losses recognized; therefore the investment appropriation draws on the endowments which are below the required level and are reported in the unrestricted net asset column in the statements of activities.

The endowment net asset composition by type of fund as of December 31, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (384,446)	\$ 2,824,298	\$ 8,525,018	\$ 10,964,870
Board-designated endowment funds	<u>19,469,280</u>	<u>-</u>	<u>-</u>	<u>19,469,280</u>
	<u>\$ 19,084,834</u>	<u>\$ 2,824,298</u>	<u>\$ 8,525,018</u>	<u>\$ 30,434,150</u>

Changes in endowment net assets for the year ended December 31, 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u>19,065,515</u>	\$ <u>2,823,563</u>	\$ <u>7,538,180</u>	\$ <u>29,427,258</u>
Investment return				
Net investment income	398,468	65,904	-	464,372
Realized gain on investments	267,789	44,297	-	312,086
Net appreciation of investments	<u>513,777</u>	<u>84,997</u>	<u>-</u>	<u>598,774</u>
Net investment gain	<u>1,180,034</u>	<u>195,198</u>	<u>-</u>	<u>1,375,232</u>
Additions to endowment assets	-	-	986,838	986,838
Appropriation of endowment assets for expenditure	<u>(1,160,715)</u>	<u>(194,463)</u>	<u>-</u>	<u>(1,355,178)</u>
Endowment net assets, end of year	<u>\$ 19,084,834</u>	<u>\$ 2,824,298</u>	<u>\$ 8,525,018</u>	<u>\$ 30,434,150</u>

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The endowment net asset composition by type of fund as of December 31, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (430,355)	\$ 2,823,563	\$ 7,538,180	\$ 9,931,388
Board-designated endowment funds	<u>19,495,870</u>	<u>-</u>	<u>-</u>	<u>19,495,870</u>
	<u>\$ 19,065,515</u>	<u>\$ 2,823,563</u>	<u>\$ 7,538,180</u>	<u>\$ 29,427,258</u>

Changes in endowment net assets for the year ended December 31, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u>17,235,469</u>	\$ <u>2,538,311</u>	\$ <u>7,092,130</u>	\$ <u>26,865,910</u>
Investment return				
Net investment income	161,764	24,555	-	186,319
Realized gain on investments	214,612	32,959	-	247,571
Net appreciation of investments	<u>2,751,163</u>	<u>420,410</u>	<u>-</u>	<u>3,171,573</u>
Net investment gain	<u>3,127,539</u>	<u>477,924</u>	<u>-</u>	<u>3,605,463</u>
Additions to endowment assets	-	-	446,050	446,050
Appropriation of endowment assets for expenditure	<u>(1,297,493)</u>	<u>(192,672)</u>	<u>-</u>	<u>(1,490,165)</u>
Endowment net assets, end of year	<u>\$ 19,065,515</u>	<u>\$ 2,823,563</u>	<u>\$ 7,538,180</u>	<u>\$ 29,427,258</u>

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9. Assets at Fair Value

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, 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.

Assets measured at fair value on a recurring basis as of December 31, 2014 are summarized below:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs Using the Market Approach (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Beneficiary interest in perpetual trusts	\$ 4,875,111	\$ -	\$ -	\$ 4,875,111
Split-interest agreements	720,372	-	720,372	-
Cash investments	353,035	353,035	-	-
Domestic equity funds	8,534,833	8,534,833	-	-
International equity funds	5,373,358	5,373,358	-	-
Fixed income funds	5,112,616	5,112,616	-	-
U.S. Treasury notes and bonds	1,105,297	-	1,105,297	-
U.S. Government fixed income (TIPS)	1,213,259	-	1,213,259	-
Hedge funds	5,092,854	-	5,092,854	-
Private equity funds	882,912	-	-	882,912
Asset allocation fund	2,706,519	2,706,519	-	-
	<u>\$ 35,970,166</u>	<u>\$ 22,080,361</u>	<u>\$ 8,131,782</u>	<u>\$ 5,758,023</u>

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Assets measured at fair value on a recurring basis as of December 31, 2013 are summarized below:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs Using the Market Approach (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficiary interest in perpetual trusts	\$ 4,864,217	\$ -	\$ -	\$ 4,864,217
Split-interest agreements	743,327	-	743,327	-
Cash investments	3,869,218	3,869,218	-	-
Common stock	4,864	4,864	-	-
Domestic equity funds	6,447,566	6,447,566	-	-
International equity funds	4,875,840	4,875,840	-	-
Fixed income funds	4,353,858	4,353,858	-	-
U.S. Treasury notes and bonds	1,160,106	-	1,160,106	-
U.S. Government fixed income (TIPS)	687,954	-	687,954	-
Hedge funds	6,090,338	-	6,090,338	-
Private equity fund	788,274	-	-	788,274
Asset allocation fund	<u>1,523,574</u>	<u>1,523,574</u>	<u>-</u>	<u>-</u>
	<u>\$ 35,409,136</u>	<u>\$ 21,074,920</u>	<u>\$ 8,681,725</u>	<u>\$ 5,652,491</u>

Level 3 beneficiary interests in perpetual trusts and Level 2 split-interest agreements are valued based on the classification of the underlying investments held by the trusts, which are actively traded. U.S. Treasury notes and bonds and TIPS are valued based on quoted market prices for similar instruments. Other Level 2 and 3 investments are valued based on the net asset values (NAV) or the Mission's capital as reported in the financial statements of the related interests.

The Mission invests in certain entities that calculate NAV per share in accordance with FASB guidance relative to investment companies and these investments are reported at fair value based on the NAV per share as reported by the investee. These investments are measured at fair value using Level 2 or Level 3 inputs. Investments are categorized as Level 2 financial instruments when the Mission has the ability to redeem its investment in the entity at NAV per share at year-end or within 90 days of that date. Investments are categorized as Level 3 financial instruments when the Mission cannot redeem its investment within 90 days of year-end.

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The following table provides a summary of changes in fair value of the Mission's Level 3 financial instruments for the year ended December 31, 2014:

	<u>Fair Value</u> December 31, <u>2013</u>	<u>Realized and</u> <u>Unrealized</u> <u>Gains</u>	<u>Purchases</u>	<u>Sales</u>	<u>Fair Value</u> December 31, <u>2014</u>
Perpetual trusts	\$ 4,864,217	\$ 10,894	\$ -	\$ -	\$ 4,875,111
Private equity funds	<u>788,274</u>	<u>134,021</u>	<u>193,189</u>	<u>(232,572)</u>	<u>882,912</u>
	<u>\$ 5,652,491</u>	<u>\$ 144,915</u>	<u>\$ 193,189</u>	<u>\$ (232,572)</u>	<u>\$ 5,758,023</u>

The amount of total gains for 2014 included in changes in net assets attributable to the change in unrealized gains relating to assets still held at December 31, 2014 was \$144,914. These gains are included in investment income.

The following table provides a summary of changes in fair value of the Mission's Level 3 financial instruments for the year ended December 31, 2013:

	<u>Fair Value</u> December 31, <u>2012</u>	<u>Realized and</u> <u>Unrealized</u> <u>Gains</u>	<u>Purchases</u>	<u>Sales</u>	<u>Fair Value</u> December 31, <u>2013</u>
Perpetual trusts	\$ 4,427,356	\$ 436,861	\$ -	\$ -	\$ 4,864,217
Domestic equity fund	3,548,249	611,732	-	(4,159,981)	-
Capital diversified limited partnership	5,318,771	689,392	-	(6,008,163)	-
Private equity fund	<u>719,178</u>	<u>63,093</u>	<u>216,288</u>	<u>(210,285)</u>	<u>788,274</u>
	<u>\$ 14,013,554</u>	<u>\$ 1,801,078</u>	<u>\$ 216,288</u>	<u>\$ (10,378,429)</u>	<u>\$ 5,652,491</u>

The amount of total gains for 2013 included in changes in net assets attributable to the change in unrealized gains relating to assets still held at December 31, 2013 was \$499,954. These gains are included in investment income.

The following includes a summary of fair values, redemption features and future commitments related to investments for which estimated fair value was based upon NAV, capital account or other valuation procedures as of December 31, 2014:

	<u>Fair Value</u>	<u>Unfunded</u> <u>Commitments</u>	<u>Redemption</u> <u>Frequency (If</u> <u>Currently Eligible)</u>	<u>Redemption</u> <u>Notice</u> <u>Periods</u>
Private equity fund	\$ 820,414	\$ 148,108	Not yet eligible	N/A
Private equity fund - 2014	62,498	787,502	Not yet eligible	N/A
Hedge funds - GS	553,733	-	Monthly	N/A
Hedge funds - others	<u>4,539,121</u>	<u>-</u>	Quarterly	N/A
	<u>\$ 5,975,766</u>	<u>\$ 935,610</u>		

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The private equity funds are diversified U.S. and non U.S. private equity portfolios which may include venture capital, buyout, mezzanine asset through the secondary market, private equity limited partnership interests and minority positions in direct private equity investments. The first fund can be liquidated beginning in November 2023. The private equity - 2014 fund can be liquidated in 2026.

10. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2014</u>	<u>2013</u>
Time restricted - general endowment earnings	\$ 956,871	\$ 954,316
Education	1,428,240	1,430,812
Crisis	461,314	454,689
Sunbeam	340	331
Island Health	3,174	76,500
Scholarship	11,771	11,497
EdGE	378,096	785,655
Bread of Life Food Pantry	-	24,724
Split-interest agreements - EdGE	720,372	743,327
Capital campaign - undesignated*	100,850	100,850
Capital campaign	-	2,497
Development wealth engine	260	3,285
Downeast campus - food pantry	20,918	16,262
Downeast campus - housing assistance	-	2,015
Downeast campus - senior coffee house	844	1,156
Downeast campus - Table of Plenty	10,401	9,893
Downeast campus - volunteer building	157,507	252,510
Downeast campus - working waterfront	8,083	8,083
Downeast campus - housing repair	15,000	-
Scholarship - 2015	2,000	-
Strategic planning	19,600	-
Marketing	<u>19,000</u>	<u>-</u>
 Total temporarily restricted net assets	 <u>\$ 4,314,641</u>	 <u>\$ 4,878,402</u>

* The capital campaign purposes are limited to health and medical care, emotional and spiritual care, sustaining fisheries, EdGE after-school program and scholarships.

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11. Net Assets Released From Restrictions

Net assets released from restrictions due to donor-imposed restrictions being met and (other reclassifications) consisted of the following:

	<u>2014</u>	<u>2013</u>
Time restriction - general endowment	\$ 62,460	\$ 61,428
Education	77,184	74,724
Crisis	19,512	70,926
Sunbeam	96	108
Island Health	76,500	71,376
Scholarships	38,880	37,608
EdGE	525,383	564,301
RUS Funding	-	35,510
Campfire coalition - housing assistance	51,636	-
Development wealth engine	3,025	5,165
Bread of Life Food Pantry	24,724	12,742
Downeast campus - food pantry	35,844	6,738
Downeast campus - senior coffee house	313	313
Downeast campus - Table of Plenty	4,379	5,838
Strategic planning	400	-
Development Marketing	<u>6,000</u>	<u>-</u>
Total net assets released from restrictions - operating	926,336	946,777
Non-operating net assets released from restrictions - capital projects	<u>111,656</u>	<u>200,069</u>
Total net assets released from restrictions	<u>\$ 1,037,992</u>	<u>\$ 1,146,846</u>

12. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investments in perpetuity. The income from the investments is expendable to support the following:

	<u>2014</u>	<u>2013</u>
General operations - beneficiary interest in perpetual trusts	\$ 4,875,111	\$ 4,864,217
General operations	397,163	397,163
Education	256,680	256,680
EdGE - capital campaign	6,189,281	4,257,597
Colket Center - capital campaign	2,000,000	2,000,000
Island Health - capital campaign	877,540	872,760
Scholarship - capital campaign	925,980	788,591
Sunbeam - capital campaign	<u>1,843</u>	<u>1,843</u>
	<u>\$ 15,523,598</u>	<u>\$ 13,438,851</u>

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13. Retirement Plan

The Mission has established a defined contribution retirement plan (the Plan) which covers employees working at least twenty hours per week. Mission contributions to the Plan are made at 14% of gross wages for ministers and 8.5% of lay employees' gross wages and totaled \$129,534 in 2014 and \$139,917 in 2013.

14. Major Contributors

During 2014 and 2013, the Mission received approximately 41% and 36% of contributions and grants from two donors/grantors, respectively.

15. Related Party Transactions

The Mission maintains cash and cash equivalents and investments with Bar Harbor Bank and Trust (BHBT) and The First, N.A. The former President of BHBT (retired in 2013 but remains on the BHBT Board of Directors) and President and Chief Executive Officer of The First, N.A. are members of the Mission's Board of Directors. Cash and cash equivalents maintained at BHBT and The First, N.A. were approximately 62% and 71% of total cash and cash equivalents at December 31, 2014 and 2013, respectively. Additionally, investments totaling \$18,140 and \$19,365 were maintained at BHBT at December 31, 2014 and 2013, respectively.

16. Donated Land

In 2012, land was deeded to the Mission in compliance with an estate gift, subject to a contingency that was settled in 2013. The land received by the Mission from the estate has been appraised for \$400,000; however, the gift was recorded as revenue and land asset at a value of \$200,000 at December 31, 2012, as the contingency at that time affected management's estimate of future value to be received. The land is available for sale on the open market at December 31, 2014.