



FINANCIAL STATEMENTS

December 31, 2015 and 2014

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, 2015 and 2014, 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, 2015 and 2014, 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
May 9, 2016

THE MAINE SEA COAST MISSION

Statements of Financial Position

December 31, 2015 and 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents (Note 15)	\$ 657,314	\$ 397,328
Cash received and held for specific projects and endowment (Note 2)	338,286	556,159
Accounts receivable	11,183	15,193
Prepaid expenses	83,743	68,122
Contributions and grants receivable, net (Notes 2 and 3)	1,115,638	2,552,857
Property and equipment, net of accumulated depreciation (Note 4)	3,420,775	3,198,781
Donated land held for sale (Note 16)	55,271	200,000
Split-interest agreements (Notes 6 and 9)	696,247	720,372
Beneficiary interest in perpetual trusts (Notes 5 and 9)	4,586,879	4,875,111
Investments (Notes 7, 8, and 9)	<u>31,261,208</u>	<u>30,374,683</u>
Total assets	<u>\$ 42,226,544</u>	<u>\$ 42,958,606</u>

LIABILITIES AND NET ASSETS

	<u>2015</u>	<u>2014</u>
Accounts payable and accrued expenses	\$ 93,409	\$ 164,457
Deferred revenue	33,100	5,400
Due to other organizations and deposits	17,603	1,838
Gift annuity payable (Note 7)	<u>11,425</u>	<u>11,854</u>
Total liabilities	<u>155,537</u>	<u>183,549</u>
Net assets		
Unrestricted		
Board-designated endowment funds (Note 8)	18,088,116	19,469,280
Undesignated funds	<u>3,193,052</u>	<u>3,467,538</u>
Total unrestricted	21,281,168	22,936,818
Temporarily restricted (Notes 8 and 10)	3,716,948	4,314,641
Permanently restricted (Notes 8 and 12)	<u>17,072,891</u>	<u>15,523,598</u>
Total net assets	<u>42,071,007</u>	<u>42,775,057</u>
Total liabilities and net assets	<u>\$ 42,226,544</u>	<u>\$ 42,958,606</u>

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

THE MAINE SEA COAST MISSION

Statement of Activities

Year Ended December 31, 2015

	<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)	\$ 774,771	\$ 802,324	\$ -	\$ 1,577,095
Special events	161,944	-	-	161,944
Program and other	65,202	-	-	65,202
Investment appropriation withdrawn for operations (Note 8)	1,505,839	164,098	-	1,669,937
Net assets released from restrictions (Note 11)	<u>1,143,758</u>	<u>(1,143,758)</u>	<u>-</u>	<u>-</u>
Total operating revenue, gains and other support	<u>3,651,514</u>	<u>(177,336)</u>	<u>-</u>	<u>3,474,178</u>
Operating expenses				
Program	2,883,090	-	-	2,883,090
Management and general	420,973	-	-	420,973
Development and fundraising	<u>310,679</u>	<u>-</u>	<u>-</u>	<u>310,679</u>
Total operating expenses	<u>3,614,742</u>	<u>-</u>	<u>-</u>	<u>3,614,742</u>
Net operating income (loss)	<u>36,772</u>	<u>(177,336)</u>	<u>-</u>	<u>(140,564)</u>
Non-operating income (loss)				
Net assets released from restrictions (Note 11)	181,619	(181,619)	-	-
Endowment contributions	-	-	1,837,524	1,837,524
Change in value of split-interest agreements (Notes 6 and 9)	-	(24,125)	-	(24,125)
Change in value of beneficiary interest in perpetual trusts (Notes 5 and 9)	-	-	(288,231)	(288,231)
Net investment loss greater than withdrawals for operations and capital projects (Note 8)	<u>(1,874,041)</u>	<u>(214,613)</u>	<u>-</u>	<u>(2,088,654)</u>
Net non-operating income (loss)	<u>(1,692,422)</u>	<u>(420,357)</u>	<u>1,549,293</u>	<u>(563,486)</u>
Change in net assets	(1,655,650)	(597,693)	1,549,293	(704,050)
Net assets, beginning of year	<u>22,936,818</u>	<u>4,314,641</u>	<u>15,523,598</u>	<u>42,775,057</u>
Net assets, end of year	<u>\$ 21,281,168</u>	<u>\$ 3,716,948</u>	<u>\$ 17,072,891</u>	<u>\$ 42,071,007</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 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 Functional Expenses

Year Ended December 31, 2015

	<u>Youth Development Programs</u>	<u>Direct Service Programs</u>	<u>Island Outreach Programs</u>	<u>Total Programs</u>	<u>Management and General</u>	<u>Development and Fundraising</u>	<u>Total Expenses</u>
Salaries and benefits (Note 13)	\$ 655,573	\$ 282,153	\$ 406,215	\$ 1,343,941	\$ 491,822	\$ 223,117	\$ 2,058,880
Contract labor	-	79,523	5,230	84,753	7,994	22,608	115,355
Travel and training	27,332	17,387	11,370	56,089	15,133	7,721	78,943
Subscriptions and registrations	3,090	479	1,775	5,344	4,128	3,799	13,271
Utilities	14,270	66,313	8,201	88,784	-	868	89,652
Maintenance and repairs	5,907	77,753	39,553	123,213	19,785	4,697	147,695
Busing	65,422	-	-	65,422	-	-	65,422
Depreciation	30,921	85,014	73,673	189,608	11,840	3,546	204,994
Professional fees	5,967	2,712	3,898	12,577	97,766	42,726	153,069
Food and events	13,067	51,018	24,295	88,380	9,911	45,244	143,535
Board expense	-	-	-	-	3,891	-	3,891
Other direct program expense	156,327	55,355	83,369	295,051	-	-	295,051
Insurance	18,710	19,909	24,703	63,322	33,035	-	96,357
Advertising and marketing	164	110	415	689	4,026	18,375	23,090
Printing	199	414	2,310	2,923	2,041	23,303	28,267
Postage and shipping	1,175	594	348	2,117	4,787	6,002	12,906
Supplies	25,441	19,747	13,281	58,469	16,991	4,729	80,189
Bank fees	54	76	12	142	492	3,541	4,175
Administrative overhead	<u>222,743</u>	<u>103,010</u>	<u>76,513</u>	<u>402,266</u>	<u>(302,669)</u>	<u>(99,597)</u>	<u>-</u>
 Total expenses	 <u>\$ 1,246,362</u>	 <u>\$ 861,567</u>	 <u>\$ 775,161</u>	 <u>\$ 2,883,090</u>	 <u>\$ 420,973</u>	 <u>\$ 310,679</u>	 <u>\$ 3,614,742</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 <u>Programs</u>	Direct Service <u>Programs</u>	Island Outreach <u>Programs</u>	Total <u>Programs</u>	Management and General	Development and Fundraising	Total <u>Expenses</u>
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	<u>214,001</u>	<u>73,261</u>	<u>88,240</u>	<u>375,502</u>	<u>(300,489)</u>	<u>(75,013)</u>	<u>-</u>
Total expenses	<u>\$ 1,268,422</u>	<u>\$ 901,598</u>	<u>\$ 821,471</u>	<u>\$ 2,991,491</u>	<u>\$ 267,315</u>	<u>\$ 308,009</u>	<u>\$ 3,566,815</u>

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

THE MAINE SEA COAST MISSION

Statements of Cash Flows

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ (704,050)	\$ 1,639,713
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	204,994	221,081
Gain on disposal of equipment	-	(1,424)
Net realized and unrealized gain on investments (Note 8)	968,136	(910,850)
Change in value of beneficiary interest in perpetual trusts (Notes 5 and 9)	288,231	(10,894)
Change in value of split-interest agreements (Notes 6 and 9)	24,125	22,956
Contributions restricted for long-term investment	(2,294,164)	(2,090,506)
Decrease (increase) in		
Accounts receivable	4,010	14,094
Prepaid expenses	(15,621)	(7,241)
Contributions and grants receivable (Note 2 and 3)	398,041	315,250
Increase (decrease) in		
Accounts payable and accrued expenses	(71,047)	41,995
Deferred revenue	27,700	(600)
Due to other organizations and deposits	15,765	338
Gift annuities payable (Note 7)	(429)	(422)
Net cash used by operating activities	<u>(1,154,309)</u>	<u>(766,511)</u>
Cash flows from investing activities		
Purchases of investments	(16,284,512)	(15,432,731)
Proceeds from sale of investments	14,429,851	15,770,490
Purchase of property and equipment	(426,988)	(241,950)
Proceeds from sale of property and equipment	-	9,185
Proceeds from sale of donated land held for sale	144,729	-
Net cash (used) provided by investing activities	<u>(2,136,920)</u>	<u>104,994</u>
Cash flows from financing activities		
Proceeds from contributions restricted for long-term investment	<u>3,333,342</u>	<u>1,155,377</u>
Net increase in cash and cash equivalents	42,113	493,860
Cash and cash equivalents, beginning of year	<u>953,487</u>	<u>459,627</u>
Cash and cash equivalents, end of year	<u>\$ 995,600</u>	<u>\$ 953,487</u>
Additional disclosure:		
Cash and cash equivalents	\$ 657,314	\$ 397,328
Cash received and held for specific projects and endowment	<u>338,286</u>	<u>556,159</u>
	<u>\$ 995,600</u>	<u>\$ 953,487</u>

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

THE MAINE SEA COAST MISSION

Notes to Financial Statements

December 31, 2015 and 2014

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 compassionate service and mutual trust, the Mission seeks to strengthen coastal and island communities by educating youth, enabling families, and promoting good health.

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, 2015 and 2014

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, 2015 and 2014

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>2015</u>	<u>2014</u>
Development projects	\$ 57,120	\$ 19,260
EdGE projects	131,763	42,041
Island Health	6,069	3,174
Campfire Coalition	-	33,781
Downeast Campus Projects	93,423	212,753
Strategic Planning	5,711	19,600
Other	-	2,850
	<hr/>	<hr/>
Temporarily restricted cash received for specific projects	294,086	333,459
Permanently restricted cash received to be deposited into the endowment	44,200	222,700
	<hr/>	<hr/>
Total cash received and held for specific projects	\$ 338,286	\$ 556,159

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, 2015 and 2014

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, 2015 and 2014 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 statements of activities as net assets released from restrictions.

Contributed Services (Unaudited)

It is estimated that over 520 individuals volunteer their time performing a variety of tasks that assist the Mission. The average volunteer works approximately 22 hours a year, which is over 11,000 volunteer hours a year. These contributed services are not recognized in the financial statements as they did not meet the criteria for recognition under U.S. generally accepted accounting principles.

THE MAINE SEA COAST MISSION

Notes to Financial Statements

December 31, 2015 and 2014

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, 2015 and 2014 were \$2,480,824 and \$2,615,989, respectively.

Subsequent Events

For purposes of the preparation of these financial statements in conformity with GAAP, the Mission has considered transactions or events occurring through May 9, 2016, 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>2015</u>	<u>2014</u>
Within one year	\$ 744,547	\$ 2,182,816
Between one and five years	<u>410,534</u>	<u>414,350</u>
Total contributions and grants receivable	1,155,081	2,597,166
Less discounts to net present value at 5.00%	<u>(39,443)</u>	<u>(44,309)</u>
Net contributions and grants receivable	\$ <u>1,115,638</u>	\$ <u>2,552,857</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 \$2,353,268 of these matching funds through December 31, 2015. Management anticipates raising the remaining funds available for the match over the next two years.

THE MAINE SEA COAST MISSION

Notes to Financial Statements

December 31, 2015 and 2014

4. Property and Equipment

Property and equipment consists of:

	<u>2015</u>	<u>2014</u>
Land and improvements	\$ 926,608	\$ 920,573
Building and improvements	2,881,799	2,802,357
Vehicles	250,481	211,285
Ships	1,387,793	1,375,400
Equipment	104,987	100,339
Information technology	628,492	286,346
Furniture and fixtures	255,319	250,529
Projects in process	<u>513,741</u>	<u>585,469</u>
	6,949,220	6,532,298
Less accumulated depreciation	<u>(3,528,445)</u>	<u>(3,333,517)</u>
Net property and equipment	<u>\$ 3,420,775</u>	<u>\$ 3,198,781</u>

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, 2015 and 2014 of funds held in trust by others was \$4,586,879 and \$4,875,111, respectively. Income received as distributions for the years ended December 31, 2015 and 2014 of funds held in trust by others was \$151,838 and \$153,214, 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 \$696,247 and \$720,372 at December 31, 2015 and 2014, respectively. Income distributions received from the trusts, which are restricted by the donor for the EdGE program, totaled \$66,810 in 2015 and \$65,056 in 2014 and are included in unrestricted contributions in the statements of activities.

THE MAINE SEA COAST MISSION

Notes to Financial Statements

December 31, 2015 and 2014

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 \$11,425 at December 31, 2015 and \$11,854 at December 31, 2014. The original amount donated under this charitable gift annuity agreement was \$25,080 and is included in investments.

8. Investments

Investments at December 31 consist of:

	<u>2015</u>	<u>2014</u>
Cash investments	\$ 1,283,852	\$ 353,035
Domestic equity funds	8,664,314	8,534,833
International equity funds	5,486,025	5,373,358
Fixed income funds	5,134,802	5,112,616
U.S. Treasury notes and bonds	1,207,282	1,105,297
U.S. Government fixed income (TIPS)	918,445	1,213,259
Hedge funds	5,042,957	5,092,854
Private equity fund	840,663	882,912
Asset allocation fund	<u>2,682,868</u>	<u>2,706,519</u>
Total investments	<u>\$ 31,261,208</u>	<u>\$ 30,374,683</u>

At December 31, 2015 and 2014, the Mission held approximately \$5,152,514 and \$5,003,600 respectively, of its total investments in 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%. The Mission's policy of annual spending is not to exceed 5% of the previous 12 quarters average balance of investments. During 2015, the Mission drew an additional \$250,000 above the calculated draw to support operations. The amount allocated to operations is reflected in the statements of activities as follows:

	<u>2015</u>	<u>2014</u>
Interest and dividend income, net of fees	\$ 549,419	\$ 462,839
Realized gains	278,463	312,086
Unrealized (loss) gains	<u>(1,246,599)</u>	<u>598,764</u>
Total investment (loss) gains	<u>(418,717)</u>	1,373,689
Operating appropriation	<u>(1,669,937)</u>	<u>(1,355,178)</u>
Investment gain greater (less) than approved spending policy	<u>\$ (2,088,654)</u>	<u>\$ 18,511</u>

Total investment gains (losses) are presented net of investment fees of approximately \$52,636 and \$48,100 for the years ended December 31, 2015 and 2014, respectively.

THE MAINE SEA COAST MISSION

Notes to Financial Statements

December 31, 2015 and 2014

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 \$877,137 at December 31, 2015 and \$384,446 at December 31, 2014. Future increases in fair value will first restore unrestricted net assets to the 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 MAINE SEA COAST MISSION

Notes to Financial Statements

December 31, 2015 and 2014

The endowment net asset composition by type of fund as of December 31, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (877,137)	\$ 2,609,685	\$ 11,575,370	\$ 13,307,918
Board-designated endowment funds	<u>18,088,116</u>	<u>-</u>	<u>-</u>	<u>18,088,116</u>
	<u>\$ 17,210,979</u>	<u>\$ 2,609,685</u>	<u>\$ 11,575,370</u>	<u>\$ 31,396,034</u>

Changes in endowment net assets for the year ended December 31, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u>19,084,834</u>	\$ <u>2,824,298</u>	\$ <u>8,525,018</u>	\$ <u>30,434,150</u>
Investment return				
Net investment income	483,270	66,335	-	549,605
Realized gain on investments	244,853	33,610	-	278,463
Net depreciation of investments	<u>(1,096,139)</u>	<u>(150,460)</u>	<u>-</u>	<u>(1,246,599)</u>
Net investment loss	<u>(368,016)</u>	<u>(50,515)</u>	<u>-</u>	<u>(418,531)</u>
Additions to endowment assets	-	-	3,050,352	3,050,352
Appropriation of endowment assets for expenditure	<u>(1,505,839)</u>	<u>(164,098)</u>	<u>-</u>	<u>(1,669,937)</u>
Endowment net assets, end of year	<u>\$ 17,210,979</u>	<u>\$ 2,609,685</u>	<u>\$ 11,575,370</u>	<u>\$ 31,396,034</u>

THE MAINE SEA COAST MISSION

Notes to Financial Statements

December 31, 2015 and 2014

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>

THE MAINE SEA COAST MISSION

Notes to Financial Statements

December 31, 2015 and 2014

9. Assets at Fair Value

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets measured at fair value on a recurring basis as of December 31, 2015 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	\$ 4,586,879	\$ -	\$ -	\$ 4,586,879
Split-interest agreements	696,247	-	696,247	-
Cash investments	1,283,852	1,283,852	-	-
Domestic equity funds	8,664,314	8,664,314	-	-
International equity funds	5,486,025	5,486,025	-	-
Fixed income funds	5,134,802	5,134,802	-	-
U.S. Treasury notes and bonds	1,207,282	-	1,207,282	-
U.S. Government fixed income (TIPS)	918,445	-	918,445	-
Hedge funds	5,042,957	-	5,042,957	-
Private equity funds	840,663	-	-	840,663
Asset allocation fund	<u>2,682,868</u>	<u>2,682,868</u>	<u>-</u>	<u>-</u>
	<u>\$ 36,544,334</u>	<u>\$ 23,251,861</u>	<u>\$ 7,864,931</u>	<u>\$ 5,427,542</u>

THE MAINE SEA COAST MISSION

Notes to Financial Statements

December 31, 2015 and 2014

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 fund	882,912	-	-	882,912
Asset allocation fund	<u>2,706,519</u>	<u>2,706,519</u>	<u>-</u>	<u>-</u>
	<u>\$ 35,970,166</u>	<u>\$ 22,080,361</u>	<u>\$ 8,131,782</u>	<u>\$ 5,758,023</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.

THE MAINE SEA COAST MISSION

Notes to Financial Statements

December 31, 2015 and 2014

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, 2015:

	<u>Fair Value</u> December 31, <u>2014</u>	<u>Realized and</u> <u>Unrealized</u> <u>Losses</u>	<u>Purchases</u>	<u>Sales</u>	<u>Fair Value</u> December 31, <u>2015</u>
Perpetual trusts	\$ 4,875,111	\$ (288,232)	\$ -	\$ -	\$ 4,586,879
Private equity funds	<u>882,912</u>	<u>(740)</u>	<u>190,954</u>	<u>(232,463)</u>	<u>840,663</u>
	<u>\$ 5,758,023</u>	<u>\$ (288,972)</u>	<u>\$ 190,954</u>	<u>\$ (232,463)</u>	<u>\$ 5,427,542</u>

The amount of total gains for 2015 included in changes in net assets attributable to the change in unrealized losses relating to assets still held at December 31, 2015 was \$288,971. These losses 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, 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 fund	<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 \$144,915. 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, 2015:

	<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	\$ 645,966	\$ 99,762	Not yet eligible	N/A
Private equity fund - 2014	151,947	667,329	Not yet eligible	N/A
Private equity fund - 2015	42,750	801,727	Not yet eligible	N/A
Hedge funds - GS	572,361	-	Monthly	N/A
Hedge funds - others	<u>4,470,596</u>	<u>-</u>	Quarterly	N/A
	<u>\$ 5,883,620</u>	<u>\$ 1,568,818</u>		

THE MAINE SEA COAST MISSION

Notes to Financial Statements

December 31, 2015 and 2014

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 private equity funds are to be held for 10-15 years unless sold on the secondary market. If not sold, the liquidation period for the private equity funds is estimated to begin in fiscal years beginning 2026 and 2027 through 2031 and 2032.

10. Temporarily Restricted Net Assets

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

	<u>2015</u>	<u>2014</u>
Time restricted - general endowment earnings	\$ 862,451	\$ 956,871
Education	1,330,293	1,428,240
Crisis	402,396	461,314
Sunbeam	195	340
Island Health	6,069	3,174
Scholarship	100	11,771
EdGE	162,429	378,096
Bread of Life Food Pantry	464	-
Split-interest agreements - EdGE	696,247	720,372
Capital campaign - undesignated*	100,000	100,850
Development hiring	56,020	
Development marketing	1,100	-
Development wealth engine	-	260
Downeast campus - food pantry	5,896	20,918
Downeast campus - senior coffee house	-	844
Downeast campus - Table of Plenty	-	10,401
Downeast campus - volunteer building	82,527	157,507
Downeast campus - food bank	5,000	
Downeast campus - working waterfront	-	8,083
Downeast campus - housing repair	-	15,000
Housing assistance	50	-
Scholarship - 2015	-	2,000
Strategic planning	-	19,600
Marketing	<u>5,711</u>	<u>19,000</u>
Total temporarily restricted net assets	<u>\$ 3,716,948</u>	<u>\$ 4,314,641</u>

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

THE MAINE SEA COAST MISSION

Notes to Financial Statements

December 31, 2015 and 2014

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>2015</u>	<u>2014</u>
Time restriction - general endowment	\$ 64,646	\$ 62,460
Education	77,438	77,184
Crisis	20,412	19,512
Sunbeam	3,980	96
Island Health	48,810	76,500
Scholarships	37,550	38,880
EdGE	510,566	525,383
Housing repair	99,968	-
Other various projects	16,429	-
Outer Island Ministry	7,955	-
Christmas project	12,619	-
Working waterfront	8,084	-
Campfire coalition - housing assistance	51,477	51,636
Development wealth engine	-	3,025
Bread of Life Food Pantry	-	24,724
Downeast campus - food pantry	55,678	35,844
Downeast campus - housing repair	20,000	-
Downeast campus - senior coffee house	844	313
Downeast campus - GF grant	25,000	-
Downeast campus - Table of Plenty	15,161	4,379
Strategic planning	13,889	400
Washington County financial assistance	16,112	-
Development projects	37,140	-
Development Marketing	-	6,000
	<u>1,143,758</u>	<u>926,336</u>
Total net assets released from restrictions - operating		
Non-operating net assets released from restrictions - capital projects	<u>181,619</u>	<u>111,656</u>
Total net assets released from restrictions	<u>\$ 1,325,377</u>	<u>\$ 1,037,992</u>

THE MAINE SEA COAST MISSION

Notes to Financial Statements

December 31, 2015 and 2014

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>2015</u>	<u>2014</u>
General operations - beneficiary interest in perpetual trusts	\$ 4,586,879	\$ 4,875,111
General operations	420,913	397,163
Education	317,180	256,680
EdGE - capital campaign	7,951,356	6,189,281
Colket Center - capital campaign	2,000,000	2,000,000
Island Health - capital campaign	928,615	877,540
Scholarship - capital campaign	865,480	925,980
Sunbeam - capital campaign	<u>2,468</u>	<u>1,843</u>
	<u>\$ 17,072,891</u>	<u>\$ 15,523,598</u>

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 \$125,633 in 2015 and \$129,534 in 2014.

14. Major Contributors

The Mission received approximately 39% and 41% of contributions and grants from one donor/grantor during 2015, and two donor/grantors during 2014.

15. Related Party Transactions

The Mission maintains cash and cash equivalents with The First, N.A. The President and Chief Executive Officer of The First, N.A. is a member of the Mission's Board of Directors. Cash and cash equivalents maintained at The First, N.A. were approximately 60% and 58% of total cash and cash equivalents at December 31, 2015 and 2014, 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. During 2015, a portion of this land was sold for \$144,729. The remaining land is available for sale on the open market at December 31, 2015.