SCHOODIC INSTITUTE
AT ACADIA NATIONAL PARK

Consolidated Financial Statements

For the Year Ended December 31, 2018

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Schoodic Institute at Acadia National Park

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Schoodic Institute at Acadia National Park (the Organization), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Schoodic Institute at Acadia National Park as of December 31, 2018, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Schoodic Institute at Acadia National Park's 2017 financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2019 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Melanson Heath

May 14, 2019

SCHOODIC INSTITUTE AT ACADIA NATIONAL PARK

Consolidated Statement of Financial Position

December 31, 2018
(with comparative totals for December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 23,942	$ 876,402	$ 900,344	$ 948,401
Accounts receivable	120,610	-	120,610	76,607
Contributions receivable	2,000	-	2,000	-
Total Current Assets	146,552	876,402	1,022,954	1,025,008
Contributions Receivable, Net of Current Portion	-	-	-	12,000
Investments	-	2,992,386	2,992,386	2,934,459
Property and Equipment, Net of Accumulated Depreciation	488,320	-	488,320	669,303
Deposit	47,500	-	47,500	47,500
Total Assets	$ 682,372	$ 3,868,788	$ 4,551,160	$ 4,688,270
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	$ 48,034	$ -	$ 48,034	$ 4,548
Deferred revenue	31,407	-	31,407	55,733
Accrued payroll and related expenses	25,595	-	25,595	22,184
Other liabilities	600	-	600	750
Total Liabilities	105,636	-	105,636	83,215
Net Assets:				
Without donor restrictions	576,736	-	576,736	823,185
With donor restrictions:				
Time and purpose restrictions	-	876,402	876,402	817,077
Perpetual in nature	-	2,992,386	2,992,386	2,964,793
Total Net Assets	576,736	3,868,788	4,445,524	4,605,055
Total Liabilities and Net Assets	$ 682,372	$ 3,868,788	$ 4,551,160	$ 4,688,270

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

SCHOODIC INSTITUTE AT ACADIA NATIONAL PARK

Consolidated Statement of Activities

For the Year Ended December 31, 2018
(with comparative totals for the year ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
REVENUES, SUPPORT, AND OTHER				
Program services revenue	$ 764,935	$ -	$ 764,935	$ 621,113
Contributions	568,439	969,450	1,537,889	4,299,706
Federal and state grants	425,857	-	425,857	391,519
Other income	23,833	-	23,833	16,813
Interest income	5,167	-	5,167	3,111
Assets released from restrictions	882,532	(882,532)	-	-
Total Revenues, Support, and Other	2,670,763	86,918	2,757,681	5,332,262
EXPENSES				
Program services expenses:				
Ecosystem science and education	798,144	-	798,144	715,038
Campus and facility	796,516	-	796,516	745,027
Networks, associations, other programs	159,741	-	159,741	309,045
Schoodic Marine Center	276,804	-	276,804	211,380
Total Program Services Expenses	2,031,205	-	2,031,205	1,980,490
Supporting services expenses:				
Management and general	581,863	-	581,863	536,651
Fundraising and development	152,371	-	152,371	137,781
Total Supporting Services Expenses	734,234	-	734,234	674,432
Total Expenses	2,765,439	-	2,765,439	2,654,922
Change in Net Assets Before Net Investment Return	(94,676)	86,918	(7,758)	2,677,340
RETURN ON INVESTMENTS				
Unrealized gains on investments	-	(203,352)	(203,352)	78,576
Realized gains on investments	-	1,348	1,348	2,230
Interest and dividends	-	62,910	62,910	10,345
Investment fees	-	(12,679)	(12,679)	-
Reclassification of investment return based on donor restrictions	(151,773)	151,773	-	-
Total Return on Investments	(151,773)	-	(151,773)	91,151
CHANGE IN NET ASSETS	(246,449)	86,918	(159,531)	2,768,491
Net Assets, Beginning of Year	823,185	3,781,870	4,605,055	1,836,564
Net Assets, End of Year	$ 576,736	$ 3,868,788	$ 4,445,524	$ 4,605,055

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

SCHOODIC INSTITUTE AT ACADIA NATIONAL PARK

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2018
(with comparative totals for the year ended December 31, 2017)

	Schoodic Institute at Acadia National Park			Schoodic Marine Center		
	Program	General and Administrative	Fundraising	Program	2018 Total	2017 Total
Grants and scholarships	$ 26,381	$ -	$ -	$ -	$ 26,381	$ 16,495
Salaries and wages	858,913	321,831	74,953	36,050	1,291,747	1,234,953
Employee benefits	122,809	81,030	12,450	14,923	231,212	186,000
Payroll taxes	81,130	26,353	6,269	3,081	116,833	113,286
Professional services:						
Legal	-	887	-	2,394	3,281	31,568
Accounting	-	9,300	-	-	9,300	9,100
Other	340,742	-	-	59,968	400,710	400,053
Advertising and promotion	8,148	248	29,851	717	38,964	17,278
Office expenses	6,292	3,083	10,182	1,721	21,278	34,934
Information technology	35,895	8,078	4,960	2,929	51,862	45,631
Occupancy	23,712	-	-	73,987	97,699	111,602
Travel	26,307	8,731	1,815	573	37,426	48,968
Conferences, conventions and meetings	45,444	7,068	10,835	50	63,397	81,082
Depreciation	27,923	57,337	-	60,929	146,189	122,406
Insurance	2,770	31,644	-	5,761	40,175	44,706
Accommodation expenses	104,144	60	-	62	104,266	78,580
Supplies	37,508	6,719	113	13,330	57,670	49,066
Miscellaneous	6,283	19,494	943	329	27,049	29,214
Total Functional Expenses	$ 1,754,401	$ 581,863	$ 152,371	$ 276,804	$ 2,765,439	$ 2,654,922

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

SCHOODIC INSTITUTE AT ACADIA NATIONAL PARK

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2018
(with comparative totals for the year ended December 31, 2017)

	2018	2017
Cash Flows Provided by Operating Activities:		
Change in net assets	$ (159,531)	$ 2,768,491
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	146,189	122,406
Gain on sale of fixed assets	(7,504)	-
Net unrealized (gain) loss on investments	203,352	(78,576)
Net realized (gain) loss on investments	(1,348)	(2,230)
Restricted contributions	(27,593)	(2,964,793)
(Increase) Decrease In:		
Accounts and contributions receivable	(34,003)	332,427
Increase (Decrease) In:		
Accounts payable	43,486	(3,899)
Deferred revenue	(24,326)	43,068
Accrued payroll and related expenses	3,411	1,959
Other liabilities	(150)	750
Net Cash Provided (Used) by Operating Activities	141,983	219,603
Cash Flows From Investing Activities:		
Purchase of investments	(495,393)	(5,451,030)
Proceeds from sales of investments	235,462	2,597,377
Purchase of fixed assets	(29,702)	(201,046)
Proceeds from sale of fixed assets	72,000	-
Net Cash Used by Investing Activities	(217,633)	(3,054,699)
Cash Flows From Financing Activities:		
Proceeds from restricted contributions	27,593	2,964,793
Net Cash Provided By Financing Activities	27,593	2,964,793
Net Increase (Decrease) in Cash and Cash Equivalents	(48,057)	129,697
Cash and Cash Equivalents, Beginning	948,401	818,704
Cash and Cash Equivalents, Ending	$ 900,344	$ 948,401

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

1. Organization

Schoodic Institute at Acadia National Park (the Organization) is a nonprofit organization whose mission is to advance ecosystem science and learning for all ages through its unique partnership with Acadia National Park. The Organization derives its revenues primarily from program fees, grants, and contributions and provides for the following service areas:

- Ecosystem science and education includes programs to advance ecosystem science and learning for all ages. Ecosystem science research includes programs in bird ecology, forest ecology, and freshwater and ocean ecology. Learning programs include public programs, education programs and partnerships, and professional learning opportunities. Programs often emphasize the connections between research and learning through citizen science, or by connecting science to conservation.
- Campus and facility operations includes revenue and expenses generated from operations of the Schoodic Education and Research Center campus and other facilities of the Organization, including hosting of programs, events, and meetings related to the mission of the Organization.
- Networks and associations include the Organization's role as fiscal sponsor for the Citizen Science Association and the Downeast Conservation Network, and its participation in the ELLMS project (Environmental Living and Learning for Maine Students).

2. Significant Accounting Policies

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. ASU 2016-14 has been implemented in 2018 and the presentation in these consolidated financial statements has been adjusted accordingly.

Principles of Consolidation

During 2015, the Organization formed Schoodic Marine Center, LLC, a single-member, manager-managed, Maine Limited Liability Company, in order to support the science and education goals of Schoodic Institute at Acadia National Park and the transportation and visitor experience goals of Acadia National Park, while contributing to economic and community development goals for Winter Harbor and other communities of the Schoodic Peninsula. The Organization is the sole member of Schoodic Marine Center, LLC.

The accompanying consolidated financial statements include the accounts of Schoodic Institute at Acadia National Park and its wholly owned limited liability company, Schoodic Marine Center, LLC. All material inter-entity transactions have been eliminated in consolidation.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments invested for long-term purposes, including endowments that are perpetual in nature, are excluded from this definition.

Accounts Receivable

Accounts receivable consist primarily of noninterest-bearing amounts due for services and programs. The allowance for uncollectable accounts receivable is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable.

Contributions Receivable

Unconditional contributions that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions that are expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the

Consolidated Statement of Activities. The allowance for uncollectable contributions is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions are written off when deemed uncollectable.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the Consolidated Statement of Financial Position. Net investment return/(loss) is reported in the Consolidated Statement of Activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

Property and Equipment

Property and equipment additions are recorded at cost, if purchased, and at fair value at the date of donation, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation is removed, and any resulting gain or loss is included in the Consolidated Statement of Activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment in 2018.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
>
> *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity while permitting the Organization to expend the income generated by the

assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by Generally Accepted Accounting Principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received.

Advertising Costs

Advertising costs are expensed as incurred and are reported in the Consolidated Statement of Activities and Consolidated Statement of Functional Expenses.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the Consolidated Statement of Activities. The Consolidated Statement of Functional Expenses presents the natural classification detail of expenses by function. Although most expenses are directly charged to functional categories, certain expenses are attributed to more than one program or supporting function. Therefore, those expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, payroll taxes, information technology, insurance, which are allocated on the basis of estimates of time and effort.

Measure of Operations

The Organization reports as the change in net assets before net investment return all operations, administrative, and fundraising activity, excluding endowment investment return and the reclassification of endowment investment return based on donor-imposed restrictions.

Income Taxes

The Organization has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for charitable contribution deductions, and has been determined not to be a private foundation. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. In 2018, the Organization was not subject to unrelated business income tax and did not file an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Estimates

The preparation of consolidated financial statements in conformity with Generally Accepted Accounting Principles requires estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may differ from those estimates.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts and contributions receivable is considered to be limited due to high historical collection rates. Investments are made by diversified investment managers whose performance is monitored by the Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Investment Committee believes that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Fair Value Measurements and Disclosures

Certain assets and liabilities are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. However, Level 1 inputs are not available for many of the assets and liabilities that the Organization is required to measure at fair value (for example, unconditional contributions receivable and in-kind contributions).

The primary uses of fair value measures in the Organization's consolidated financial statements are:

- Initial measurement of noncash gifts, including gifts of investment assets and unconditional contributions receivable.
- Recurring measurement of investments (Note 5).

The carrying amounts of cash and cash equivalents, accounts and contributions receivable, accounts payable, deferred revenue, accrued expenses, and other liabilities approximate fair value due to the short-term nature of the items. The carrying amount of contributions receivable due in more than one year is based on the discounted net present value of the expected future cash receipts, and approximates fair value.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following at December 31, 2018 and 2017:

Financial assets at year end:	2018	2017
Cash and cash equivalents	$ 900,344	$ 948,401
Receivables	122,610	88,607
Investments	2,992,386	2,934,459
Total financial assets	4,015,340	3,971,467
Less amounts not available to be used within one year:		
Net assets with donor restrictions	3,868,788	3,781,870
Less:		
Net assets with purpose restrictions to be met in less than one year	(803,849)	(817,077)
Endowment spending policy (4%)	(119,695)	(118,592)
	2,945,244	2,846,201
Financial assets available to meet general expenditures over the next twelve months	$ 1,070,096	$ 1,125,266

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of amounts earned on General Endowment which are available for general use based on the Board's annual spending policy of 4%, as described in Note 8. Donor-restricted endowment funds are not available for general expenditure.

As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested.

4. Contributions Receivable

Contributions receivable consisted of the following at December 31:

	2018	2017
Receivable in less than one year	$ 2,000	$ -
Receivable in one to five years	-	12,000
Total	$ 2,000	$ 12,000

5. Investments

Investments consisted of the following at December 31, 2018:

	Cost	Fair Value	Level 1
Cash and cash equivalents	$ 393,938	$ 393,938	$ 393,938
Equities	1,692,460	1,581,844	1,581,844
Fixed income*	1,036,288	1,016,604	-
Total	$ 3,122,686	$ 2,992,386	$ 1,975,782

*The Organization's fixed income investments are comprised of iShares U.S. Treasury Bond ETF (3 to 7 year), measured at net asset value, and are excluded from classification in the fair value hierarchy.

As discussed in Note 2 to these financial statements, the Organization is required to report its fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to the Organization's valuation techniques, as follows:

Level 1 – Based on quoted prices in active markets for identical assets.

Level 2 – Based on significant observable inputs.

Level 3 – Based on significant unobservable inputs.

6. Property, Equipment, and Depreciation

A summary of the major components of property and equipment is presented below:

	2018	2017
Land and land improvements	$ 153,636	$ 153,636
Building improvements	216,945	216,945
Furniture, fixtures and equipment	641,917	698,744
Subtotal	1,012,498	1,069,325
Less: accumulated depreciation	(524,178)	(400,022)
Total	$ 488,320	$ 669,303

7. Deferred Revenue

Deferred revenue is primarily comprised of amounts collected in advance for programs and workshops to be conducted during the subsequent year.

8. Endowment

The Organization's endowment (the Endowment) consists of two individual funds established by donors to provide funding for specific activities and general operations. As required by Generally Accepted Accounting Principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as perpetually restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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. The remaining portion of the donor-restricted endowment fund that is not classified as perpetually restricted is classified as donor-restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

As of December 31, 2018, all endowment funds were classified as perpetually restricted net assets.

Investment Policy

The Organization has an investment policy which is monitored by the Investment Committee, with the direction of the Board of Directors. The investment policy describes the objective for the Endowment and sets ranges for asset allocation. The investment objective of the Board of Directors and the Investment Committee is to focus on support for the pursuit of goals that support the Organization's overall mission and that support more specific programs or projects, as applied to specific component funds within the overall Endowment. The long-term return objective is, over a period of years, to achieve a nominal rate of return in excess of the spending rate plus the rate of inflation and fees, as well as to outperform selected benchmarks.

The Investment Committee is expected to cause the Endowment to be diversified in order to minimize the risk of large losses and to manage volatility of asset classes and investment styles. Investment advisor(s) are expected to invest Endowment assets in accordance with the standard of care set forth in the investment management agreement and to seek reasonable diversification where possible. The Organization recognizes that, over the long term, the risk of owning equities has been and is expected to continue to be rewarded with a relatively greater return than what base has been historically available from fixed income investments. The role of fixed income investments is to reduce the volatility of the overall portfolio, while providing a predictable stream of income. The Organization expects the Investment Committee to follow these accepted investment principals in oversight of the assets of the Endowment.

So that their investment strategy is aligned with the mission of the Organization and their understanding of the impacts of climate change, the investment policy includes screens to exclude and/or mitigate investment in companies in the fossil fuel industry or those with evidence of owning fossil fuel reserves regardless of their industries, including companies that own less than 50% of a reserves field.

The Investment Committee believes that the most significant decision to affect the ability of the Endowment to meet its objectives is asset allocation. With that in mind, and based on the investment objectives and risk tolerances stated herein, the following asset mix targets and ranges are considered appropriate:

Asset Class	Minimum	Target	Maximum
Total Equity	50%	60%	70%
U.S. Equity	27%	37%	47%
Large cap	14%	24%	34%
Mid cap	2%	7%	12%
Small cap	0%	4%	9%
REITs	0%	2%	7%
Non-U.S. Equity	13%	23%	33%
Developed	7%	17%	27%
Emerging	0%	3%	13%
Global	0%	3%	13%
Fixed Income	25%	35%	45%
Intermediate	19%	29%	39%
Unconstrained	0%	6%	16%
Cash or Cash Equivalents	2%	5%	15%

Funds With Deficiencies

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 UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with Generally Accepted Accounting Principles, deficiencies of this nature are required to be restored from net assets without donor restrictions, depending on donor stipulations. Based on donor stipulations, there are no donor-restricted funds in deficit.

Spending Policy

The long-term annual spending and distributions from the Endowment shall be 4% of a moving 12-quarter market value average of the Endowment. The spending rule may be changed subject to approval by the Board of Directors.

Endowment net asset composition by type and changes in endowment net assets for the year ended December 31, 2018 is as follows:

	Without Donor Restrictions
Endowment net assets, beginning of year	$ 2,934,459
Net investment return	(151,773)
Reclassification of investment return based on donor restrictions	151,773
Contributions added to endowment	57,927
Appropriations from endowment	-
Endowment net assets, end of year	$ 2,992,386

9. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	2018	2017
Subject to expenditure for specified purpose:		
Alan Goldstein Lecture Fund	$ 68,902	$ -
Artist in Residence Program	756	-
Bird Ecology Funds	12,000	1,000
Citizen Science Association	16,871	5,165
Climate Adaptation Training	20,000	-
Conservation Partnership Funds	5,000	5,000
DCN	55,245	109,756
Earth Watch Funds	3,919	-
Endowment Match Funds	-	100
Executive Assistant Underwriting	5,197	24,767
FOA SEA	31,736	11,841
Forest Ecology Program Fund	-	4,088
Forest Ecology Miscellaneous Funds	2,755	2,000
LL Bean Fund	6,612	4,905
MCF Bottle Filling Funds	-	2,674
NeCSA Maine Sea Grant	-	22
Ocean Ledges Fund	1,500	14,500
Pisces Foundation CSA	18,355	50,000
Property Stewardship Funds	19,097	20,000
Scholarship and Fellowship Funds	7,151	7,151
Schoodic Education Program Funds	43,100	47,273
Schoodic Forest Fund	5,571	82,027
Schoodic Marine Center	-	201,826
Science Coordination and Planning Funds	10,570	10,794
Second Century Stewardship Funds	520,145	185,701
Shell SEF Funds	20,573	26,387
Summer Partnership Funds	1,347	100
	876,402	817,077
Endowment:		
Original gift restricted by donors for:		
Schoodic Forest	1,945,093	1,945,093
General operations	1,047,293	1,019,700
	2,992,386	2,964,793
Total	$ 3,868,788	$ 3,781,870

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors.

10. Operating Lease

In 2015, the Schoodic Marine Center, LLC entered into a 20-year lease agreement for real property, piers, and certain personal property. The agreement provides for two optional extensions of ten years each. Base rent for the initial four years is $47,500 per year, with potential increases tied to the Consumer Price Index (CPI) beginning in 2020.

11. Cooperative Agreement

The Organization has an agreement with the U. S. Department of the Interior, National Park Service to develop, manage and operate the Schoodic Institute at Acadia National Park. The purpose of the agreement is to carry out the public purpose of National Park Service programs, authorized by law or by appropriation with a private non-profit organization. Under this agreement, the Organization is permitted, in accordance with Federal property management regulations, the use of certain government property, including office facilities and equipment.

12. Employee Benefit Plan

During the year ended December 31, 2017, the Organization provided the option for employees to participate in a SIMPLE IRA plan (the Plan). All regular employees are eligible to participate beginning after 6 months of service. Any employee, including part-time and seasonal employees, that has earned $5,000 or more in any two preceding years and is expected to be paid $5,000 in the current year is eligible to participate. The Organization will match the employee contribution on a one-to-one basis, up to 3% of the employee's gross compensation. Employees may make contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code. Matching contributions made by the Organization for the years ended December 31, 2018 and 2017 totaled $28,125 and $15,256, respectively.

13. Concentrations

In 2018, two contributors accounted for approximately 65% of total contribution revenue.

14. Subsequent Events

Subsequent events have been evaluated through May 14, 2019, the date the consolidated financial statements were available to be issued.