

CONTENTS

FRIENDS OF CASCO BAY

March 31, 2011

| | |
|---|---|
| Independent Accountants' Compilation Report | 1 |
| Financial Statements | |
| Statements of Financial Position..... | 2 |
| Statements of Activities..... | 3 |
| Statement of Functional Expenses | 4 |
| Statements of Cash Flows..... | 6 |
| Notes to Financial Statements..... | 7 |

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

Certified Public Accountants

Richard B. Dawson, CPA
David E. Smith, CPA
Eric A. Purvis, CPA/ABV, MST, CVA
Joel H. Bassett, CPA/PFS, CMA
Kirk J. Purvis, CPA
William H. Souter, CPA, MST
Craig M. Pike, CPA
Adam P. Johnson, CPA

15 Casco Street
Portland, Maine 04101-2902
TEL. (207) 874-0355
FAX (207) 874-0865
EMAIL: dspb@dspbcpa.com
www.dspbcpa.com

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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

We have compiled the accompanying statements of financial position of Friends of Casco Bay (a nonprofit organization) as of March 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

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

November 1, 2011

STATEMENTS OF FINANCIAL POSITION

FRIENDS OF CASCO BAY

March 31, 2011 and 2010

| | <u>2011</u> | <u>2010</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 187,172 | \$ 162,554 |
| Contingency fund cash | 91,566 | 85,566 |
| Accounts receivable | 42,099 | 64,253 |
| Promises to give | 75,353 | |
| Prepaid expenses | <u>14,774</u> | <u>10,216</u> |
| TOTAL CURRENT ASSETS | 410,964 | 322,589 |
| PROPERTY AND EQUIPMENT | | |
| Equipment and furnishings | 52,876 | 52,876 |
| Vehicle | 31,441 | 31,441 |
| Boats | <u>107,020</u> | <u>107,020</u> |
| TOTAL PROPERTY AND EQUIPMENT | 191,337 | 191,337 |
| Less accumulated depreciation | <u>159,342</u> | <u>140,080</u> |
| NET PROPERTY AND EQUIPMENT | <u>31,995</u> | <u>51,257</u> |
| OTHER ASSETS | | |
| Beneficial interest in assets held by others | 954,495 | 887,643 |
| | <u>954,495</u> | <u>887,643</u> |
| TOTAL ASSETS | <u>\$ 1,397,454</u> | <u>\$ 1,261,489</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 1,221 | \$ 4,328 |
| Other current liabilities | 6,935 | 15,756 |
| Current portion of long-term debt | 6,288 | 6,288 |
| Accrued vacation | <u>22,846</u> | <u>21,811</u> |
| TOTAL CURRENT LIABILITIES | 37,290 | 48,183 |
| LONG-TERM DEBT, net of current portion | 7,337 | 13,625 |
| NET ASSETS | | |
| Unrestricted | | |
| Undesignated | 127,221 | 128,550 |
| Designated | <u>1,046,061</u> | <u>973,209</u> |
| TOTAL UNRESTRICTED NET ASSETS | 1,173,282 | 1,101,759 |
| Temporarily restricted net assets | <u>179,545</u> | <u>97,922</u> |
| TOTAL NET ASSETS | <u>1,352,827</u> | <u>1,199,681</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 1,397,454</u> | <u>\$ 1,261,489</u> |

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

STATEMENTS OF ACTIVITIES

FRIENDS OF CASCO BAY

Years Ended March 31, 2011 and 2010

| | Year Ended March 31, 2011 | | | Year Ended |
|---|---------------------------|------------------------|---------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total | March 31, 2010 |
| OPERATING ACTIVITY | | | | Total |
| Operating Revenues | | | | |
| Individual gifts | \$ 166,165 | \$ 62,051 | \$ 228,216 | \$ 162,426 |
| Corporate gifts | 60,796 | 7,500 | 68,296 | 61,340 |
| Foundation grants | 147,500 | 47,000 | 194,500 | 193,500 |
| Government grants and contracts | 166,452 | 15,000 | 181,452 | 210,947 |
| Nonprofit contributions | 19,095 | - | 19,095 | 36,484 |
| In-kind gifts | 91,813 | - | 91,813 | 117,830 |
| Fundraising events | 30,599 | - | 30,599 | 22,090 |
| Investment income | 1,192 | - | 1,192 | 1,772 |
| Miscellaneous income | 4,956 | - | 4,956 | 3,260 |
| Transfers from beneficial interest in assets held by others to operations | 8,973 | 26,917 | 35,890 | 38,190 |
| Net assets released from restrictions | 76,845 | (76,845) | - | - |
| TOTAL OPERATING REVENUES | 774,386 | 81,623 | 856,009 | 847,839 |
| Program Service Expenses | | | | |
| Baykeeper operations | 309,960 | - | 309,960 | 303,752 |
| Water quality monitoring program | 212,430 | - | 212,430 | 218,571 |
| Pumpout boat program | 34,674 | - | 34,674 | 25,999 |
| BayScaping and storm water program | 10,844 | - | 10,844 | 8,347 |
| TOTAL PROGRAM SERVICES | 567,908 | - | 567,908 | 556,669 |
| Management and general expenses | 59,376 | - | 59,376 | 100,596 |
| Fundraising expenses | 142,431 | - | 142,431 | 149,557 |
| TOTAL OPERATING EXPENSES | 769,715 | - | 769,715 | 806,822 |
| CHANGES IN NET ASSETS FROM OPERATIONS | 4,671 | 81,623 | 86,294 | 41,017 |
| NONOPERATING ACTIVITY | | | | |
| Investment income | 10,039 | - | 10,039 | 9,448 |
| Net realized and unrealized investment gains | 100,339 | - | 100,339 | 222,609 |
| Transfers to operations from beneficial interest in assets held by others | (35,890) | - | (35,890) | (38,190) |
| Investment fees | (7,636) | - | (7,636) | (6,906) |
| CHANGES IN NET ASSETS FROM NONOPERATING ACTIVITY | 66,852 | - | 66,852 | 186,961 |
| INCREASE IN NET ASSETS | 71,523 | 81,623 | 153,146 | 227,978 |
| NET ASSETS AT BEGINNING OF PERIOD | 1,101,759 | 97,922 | 1,199,681 | 971,703 |
| NET ASSETS AT END OF PERIOD | \$ 1,173,282 | \$ 179,545 | \$ 1,352,827 | \$ 1,199,681 |

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

STATEMENT OF FUNCTIONAL EXPENSES

FRIENDS OF CASCO BAY

Year Ended March 31, 2011

| | Baykeeper Operations | Water Quality Monitoring | Pumpout Boat | BayScaping and Stormwater Program | Total Programs | Management & General | Fundraising Expenses | Total Expenses |
|-----------------------------------|-------------------------|-----------------------------|------------------|--|-------------------|-------------------------|-------------------------|-------------------|
| PERSONNEL | | | | | | | | |
| Salaries and wages | \$ 195,820 | \$ 87,183 | \$ 18,339 | \$ 6,771 | \$ 308,113 | \$ 37,675 | \$ 89,768 | \$ 435,556 |
| Employee benefits and taxes | 42,528 | 22,266 | 2,998 | 1,785 | 69,577 | 9,184 | 19,570 | 98,331 |
| | <u>238,348</u> | <u>109,449</u> | <u>21,337</u> | <u>8,556</u> | <u>377,690</u> | <u>46,859</u> | <u>109,338</u> | <u>533,887</u> |
| OTHER EXPENSES | | | | | | | | |
| Advertising | 3,040 | - | - | - | 3,040 | - | - | 3,040 |
| Board expense | - | - | - | - | - | 709 | - | 709 |
| Boat and truck operation | 3,476 | 7,667 | 5,778 | - | 16,921 | - | - | 16,921 |
| Computer/copier expense | 1,767 | 934 | 192 | 66 | 2,959 | 608 | 785 | 4,352 |
| Conferences, seminars, meetings | 589 | 218 | - | - | 807 | 5 | 50 | 862 |
| Depreciation expense | 4,967 | 9,784 | 2,070 | - | 16,821 | 2,441 | - | 19,262 |
| Dues, subscriptions, publications | 1,034 | 158 | 28 | 10 | 1,230 | 90 | 958 | 2,278 |
| Equipment | - | - | - | - | - | 859 | - | 859 |
| In-kind expenses | 17,849 | 59,702 | 3,270 | - | 80,821 | - | 10,992 | 91,813 |
| Insurance | 902 | 477 | 98 | 34 | 1,511 | 310 | 401 | 2,222 |
| Internet fees | 94 | 50 | 10 | 4 | 158 | 32 | 42 | 232 |
| Licenses and fees | 675 | - | - | - | 675 | 255 | - | 930 |
| Laboratory fees | - | 2,521 | - | - | 2,521 | - | - | 2,521 |
| Office supplies/services | 2,268 | 1,199 | 247 | - | 3,799 | 879 | 1,007 | 5,685 |
| Payroll processing service | 794 | 365 | 71 | 29 | 1,259 | 156 | 364 | 1,779 |
| Printing and postage | 6,223 | 444 | 87 | 187 | 6,941 | 889 | 7,204 | 15,034 |
| Professional fees | 1,990 | 7,128 | 129 | 45 | 9,292 | 409 | 528 | 10,229 |
| Rent | 7,028 | 3,476 | 715 | 247 | 11,466 | 2,262 | 3,172 | 16,900 |
| Service charges and fees | - | - | - | - | - | 1,285 | - | 1,285 |
| Special event expenses | 3,018 | - | - | - | 3,018 | - | 3,018 | 6,036 |
| Supplies | 7,430 | 985 | 340 | 1,321 | 10,076 | - | 2,922 | 12,998 |
| Telephone | 2,571 | 941 | 217 | 56 | 3,765 | 511 | 660 | 4,956 |
| Training supplies | - | 5,427 | - | - | 5,427 | - | - | 5,427 |
| Travel and meals | 5,234 | 1,155 | 13 | 179 | 6,581 | 589 | 695 | 7,865 |
| Utilities | 663 | 350 | 72 | 25 | 1,110 | 228 | 295 | 1,633 |
| TOTAL EXPENSES | \$ 309,960 | \$ 212,430 | \$ 34,674 | \$ 10,844 | \$ 567,908 | \$ 59,376 | \$ 142,431 | \$ 769,715 |

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

STATEMENT OF FUNCTIONAL EXPENSES

FRIENDS OF CASCO BAY

Year Ended March 31, 2010

| | Baykeeper Operations | Water Quality Monitoring | Pumpout Boat | BayScaping and Stormwater Program | Total Programs | Management & General | Fundraising Expenses | Total Expenses |
|-----------------------------------|-------------------------|-----------------------------|------------------|--|-------------------|-------------------------|-------------------------|-------------------|
| PERSONNEL | | | | | | | | |
| Salaries and wages | \$ 186,177 | \$ 81,976 | \$ 13,005 | \$ 4,678 | \$ 285,836 | \$ 66,122 | \$ 84,066 | \$ 436,024 |
| Employee benefits and taxes | 40,842 | 21,582 | 1,883 | 1,187 | 65,494 | 16,682 | 18,885 | 101,061 |
| | <u>227,019</u> | <u>103,558</u> | <u>14,888</u> | <u>5,865</u> | <u>351,330</u> | <u>82,804</u> | <u>102,951</u> | <u>537,085</u> |
| OTHER EXPENSES | | | | | | | | |
| Advertising | 3,230 | - | - | - | 3,230 | - | - | 3,230 |
| Bad debt | - | - | - | - | - | 100 | - | 100 |
| Board expense | - | - | - | - | - | 696 | - | 696 |
| Boat and truck operation | 3,390 | 11,647 | 4,437 | - | 19,474 | - | - | 19,474 |
| Computer/copier expense | 2,413 | 1,318 | 188 | 57 | 3,976 | 1,246 | 1,122 | 6,344 |
| Conferences, seminars, meetings | 1,402 | 293 | - | - | 1,695 | 326 | - | 2,021 |
| Depreciation expense | 4,837 | 9,934 | 1,650 | - | 16,421 | 3,202 | - | 19,623 |
| Dues, subscriptions, publications | 1,970 | 151 | 20 | 7 | 2,148 | 142 | 896 | 3,186 |
| Equipment | 1,739 | - | - | - | 1,739 | - | - | 1,739 |
| Equipment rentals and repairs | 50 | - | - | - | 50 | - | 209 | 259 |
| In-kind expenses | 29,414 | 68,074 | 3,193 | 1,800 | 102,481 | - | 15,349 | 117,830 |
| Insurance | - | 1,173 | - | - | 1,173 | 2,349 | - | 3,522 |
| Internet fees | 421 | 230 | 33 | 10 | 694 | 217 | 196 | 1,107 |
| Licenses and fees | 28 | - | - | - | 28 | 528 | - | 556 |
| Laboratory fees | - | 5,394 | - | - | 5,394 | - | - | 5,394 |
| Office supplies/services | 2,016 | 1,101 | 157 | 48 | 3,322 | 1,039 | 937 | 5,298 |
| Payroll processing service | 909 | 415 | 60 | 23 | 1,407 | 330 | 412 | 2,149 |
| Printing and postage | 8,558 | 1,138 | 93 | 17 | 9,806 | 538 | 6,618 | 16,962 |
| Professional fees | 2,062 | 1,126 | 160 | 49 | 3,397 | 1,065 | 5,438 | 9,900 |
| Recruitment | - | - | - | - | - | 12 | 235 | 247 |
| Rent | 5,744 | 3,137 | 446 | 136 | 9,463 | 2,967 | 2,670 | 15,100 |
| Service charges and fees | - | - | - | - | - | 1,344 | - | 1,344 |
| Special event expenses | - | - | - | - | - | - | 6,047 | 6,047 |
| Supplies | 4,071 | 1,169 | 487 | 29 | 5,756 | 100 | 4,941 | 10,797 |
| Telephone | 1,772 | 891 | 125 | 32 | 2,820 | 692 | 623 | 4,135 |
| Training supplies | - | 5,959 | - | - | 5,959 | - | - | 5,959 |
| Travel and meals | 2,206 | 1,589 | 23 | 262 | 4,080 | 640 | 680 | 5,400 |
| Utilities | 501 | 274 | 39 | 12 | 826 | 259 | 233 | 1,318 |
| | <u>\$ 303,752</u> | <u>\$ 218,571</u> | <u>\$ 25,999</u> | <u>\$ 8,347</u> | <u>\$ 556,669</u> | <u>\$ 100,596</u> | <u>\$ 149,557</u> | <u>\$ 806,822</u> |

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

STATEMENTS OF CASH FLOWS

FRIENDS OF CASCO BAY

Years Ended March 31, 2011 and 2010

| | <u>2011</u> | <u>2010</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in net assets | \$ 153,146 | \$ 227,978 |
| Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities | | |
| Depreciation | 19,262 | 19,623 |
| Net realized and unrealized investment gains | (100,339) | (222,609) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 22,154 | (48,646) |
| Promises to give | (75,353) | - |
| Prepaid expenses | (4,558) | (425) |
| Accounts payable | (3,107) | (6,166) |
| Other current liabilities | (8,821) | 15,756 |
| Accrued vacation | 1,035 | 418 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>3,419</u> | <u>(14,071)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | - | (4,808) |
| Transfers from beneficial interest in assets held by others | 35,890 | 38,190 |
| Net purchases of investments | <u>(2,403)</u> | <u>(2,542)</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>33,487</u> | <u>30,840</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal payments on long-term debt | <u>(6,288)</u> | <u>(6,288)</u> |
| NET CASH USED BY FINANCING ACTIVITIES | <u>(6,288)</u> | <u>(6,288)</u> |
| NET INCREASE IN CASH | 30,618 | 10,481 |
| Cash at beginning of year | <u>248,120</u> | <u>237,639</u> |
| CASH AT END OF YEAR | <u>\$ 278,738</u> | <u>\$ 248,120</u> |
| Operating cash | \$ 187,172 | \$ 162,554 |
| Contingency fund cash | <u>91,566</u> | <u>85,566</u> |
| | <u>\$ 278,738</u> | <u>\$ 248,120</u> |

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

NOTES TO FINANCIAL STATEMENTS

FRIENDS OF CASCO BAY

March 31, 2011 and 2010

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

Basis of Accounting

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

Basis of Presentation

The accompanying financial statements include the assets, liabilities, and net assets of the Organization. Under FASB ASC 958-205-05-6, the Organization is required to report information regarding its financial position and activities according to three classes of net assets based on the existence or absence of donor imposed restrictions and the nature of those restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable is recorded net of an allowance for doubtful accounts. The allowance is estimated from historical performance and projections of trends. At March 31, 2011 and 2010, the allowance for doubtful accounts was \$0.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

See independent accountants' compilation report.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

FRIENDS OF CASCO BAY

March 31, 2011 and 2010

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

Income Taxes

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

The Organization's policy is to record interest expense and penalties assessed by taxing authorities in general and administrative expenses. For the years ended March 31, 2011 and 2010, there was no interest or penalties expense recorded and no accrued interest and penalties.

The Organization's federal and state tax returns are open for examination for the years ended March 31, 2011, 2010 and 2009.

Contributions

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

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

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

See independent accountants' compilation report.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

FRIENDS OF CASCO BAY

March 31, 2011 and 2010

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

Revenues

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

Property and Equipment

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

Promises to Give

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

Beneficial Interest in Assets Held by Others

As more fully described in Note B, the Organization is the beneficiary of an endowment fund held by Maine Community Foundation. The assets are invested in debt and equity securities and the Organization records its interest in the endowment fund at the fair value of the underlying assets. Realized and unrealized gains and losses and investment income from the fund are included in the statement of activities as nonoperating revenue. It is the Organization's intent to use transfers from the endowment fund for operations and, accordingly, transfers are included as operating revenue with a corresponding expense as nonoperating activity.

Functional Expenses

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

Subsequent Events

The Organization has evaluated all subsequent events through November 1, 2011, the date the financial statements were available to be issued.

See independent accountants' compilation report.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

FRIENDS OF CASCO BAY

March 31, 2011 and 2010

NOTE B--BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

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

While the Organization has designated itself as the beneficiary of the Fund, MCF retains a variance power over the funds. The variance power allows MCF to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations if, in the judgment of MCF, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. At March 31, 2011 and 2010, the endowment fund had values of \$954,495 and \$887,643, respectively, which are reported in the statement of financial position as beneficial interest in assets held by others.

NOTE C--DESIGNATED NET ASSETS

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

| | March 31, 2011 | March 31, 2010 |
|--|---------------------|-------------------|
| Cash reserved for contingencies | \$ 91,566 | \$ 85,566 |
| Beneficial interest in assets held by others | <u>954,495</u> | <u>887,643</u> |
| Totals | <u>\$ 1,046,061</u> | <u>\$ 973,209</u> |

See independent accountants' compilation report.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

FRIENDS OF CASCO BAY

March 31, 2011 and 2010

NOTE D--TEMPORARILY RESTRICTED NET ASSETS

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

| | March 31, 2011 | March 31, 2010 |
|------------------------|-------------------|-------------------|
| Curriculum | \$ 14,000 | \$ 8,500 |
| Bayscaping | 5,000 | - |
| Sediment sampling | 15,000 | - |
| Portland pipeline | - | 4,000 |
| Water quality program | - | 37,000 |
| Boat fund | 97,551 | - |
| Probe acquisition | 1,077 | 1,077 |
| Storm drain stenciling | - | 5,750 |
| Baykeeper | 26,917 | 19,095 |
| Data exchange | 20,000 | 20,000 |
| Nutrient criteria | - | 2,500 |
| Totals | <u>\$ 179,545</u> | <u>\$ 97,922</u> |

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

| | Year Ended March 31, 2011 | Year Ended March 31, 2010 |
|---------------------------------------|------------------------------|------------------------------|
| Curriculum | \$ 12,500 | \$ 10,000 |
| Equipment purchases | - | 3,974 |
| Water quality program | 37,000 | - |
| Newsletter | - | 6,890 |
| Nutrient criteria | 2,500 | 15,000 |
| Bayscaping | - | 6,250 |
| Storm drain stenciling | 5,750 | - |
| Baykeeper | 19,095 | - |
| Spring celebration | - | 1,000 |
| Net assets released from restrictions | <u>\$ 76,845</u> | <u>\$ 43,114</u> |

NOTE E--SIGNIFICANT CONCENTRATION OF CREDIT RISK

The Organization maintains a majority of its cash balances in one financial institution located in South Portland, Maine. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. Balances in certain accounts sometimes exceed this amount.

See independent accountants' compilation report.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

FRIENDS OF CASCO BAY

March 31, 2011 and 2010

NOTE F--IN-KIND GIFTS

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

During the years ended March 31, 2011 and 2010, in-kind contributions consisted of the following:

| | Year Ended March 31, 2011 | Year Ended March 31, 2010 |
|--|------------------------------|------------------------------|
| Water quality monitoring | \$ 59,702 | \$ 68,074 |
| Baykeeper | 6,857 | - |
| Pumpout | 3,270 | 1,800 |
| Rent expenses - boat slips | - | 6,716 |
| Auction | - | - |
| Boat equipment, repairs, and storage | - | 3,193 |
| Film Festival | 21,984 | 30,700 |
| Office equipment, supplies, and meetings | - | 7,347 |
| | <u>\$ 91,813</u> | <u>\$ 117,830</u> |

NOTE G--LINE OF CREDIT

At March 31, 2011 and 2010, the Organization had a line of credit available for \$50,000. There was no balance outstanding at March 31, 2011 or 2010. Terms of the credit agreement provide for interest at the Wall Street Journal prime rate. All accounts receivable, equipment, inventory, and general intangibles of Friends of Casco Bay are assigned as collateral.

NOTE H--LONG TERM DEBT

At March 31, 2011 and 2010, long-term debt consisted of the following:

| | 2011 | 2010 |
|--|-----------------|------------------|
| Note payable in monthly installments of \$524 at an interest rate of 0%. The note matures June 2013 and is secured by a vehicle. | \$ 13,625 | \$ 19,913 |
| Less: current portion of long-term debt | <u>6,288</u> | <u>6,288</u> |
| | <u>\$ 7,337</u> | <u>\$ 13,625</u> |

Maturities of long-term debt for years after March 31, 2011 are as follows:

2012-\$6,288; 2013-\$1,049

See independent accountants' compilation report.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

FRIENDS OF CASCO BAY

March 31, 2011 and 2010

NOTE I--LEASE

The Organization rents its single office location from Southern Maine Community College as a tenant at will. Office and other rent expense for the years ended March 31, 2011 and 2010 was \$16,900 and \$15,100, respectively.

NOTE J--RETIREMENT PLAN

The Organization has a tax deferred annuity plan established under Section 403(b) of the Internal Revenue Code. All employees with at least one year of service are eligible to participate and may elect to defer compensation up to the maximum amount allowed by the IRS. In addition, the Organization makes matching contributions for eligible employees. The Organization's contributions for the year ended March 31, 2011 and 2010 were \$13,952 and \$16,004, respectively.

NOTE K--FAIR VALUE OF FINANCIAL INSTRUMENTS

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

See independent accountants' compilation report.