

**Maine Community Foundation  
and Supporting Organizations**

Audited Consolidated Financial Statements

*Year Ended December 31, 2013 With Comparative  
Information for the Year Ended December 31, 2012  
With Independent Auditors' Report*

**MAINE COMMUNITY FOUNDATION  
AND SUPPORTING ORGANIZATIONS**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2013 With Comparative  
Information for the Year Ended December 31, 2012

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Maine Community Foundation

We have audited the accompanying consolidated financial statements of Maine Community Foundation and its Supporting Organizations (the Foundation), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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.

Board of Directors  
Maine Community Foundation

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of December 31, 2013, and the consolidated changes in its 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 the Foundation's 2012 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 18, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Portland, Maine  
August 21, 2014

*BAKER NEWMAN & NOYES*  
Limited Liability Company

**MAINE COMMUNITY FOUNDATION  
AND SUPPORTING ORGANIZATIONS**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Cash and cash equivalents (note 9)	\$ 8,135,475	\$ 11,378,188
Investments (notes 3 and 9)	370,720,299	302,573,803
Contributions receivable (note 4)	709,508	1,006,464
Prepaid expenses and other receivables	193,858	184,132
Receivable from trusts	1,915,463	1,710,845
Loans receivable (note 5)	1,058,334	1,210,892
Cash surrender value of life insurance	137,899	135,269
Property and equipment, net (note 6)	448,336	441,281
Assets held for sale	<u>8,425</u>	<u>18,000</u>
 Total assets	 <u>\$383,327,597</u>	 <u>\$318,658,874</u>
<u>LIABILITIES AND NET ASSETS</u>		
Grants payable	\$ 282,000	\$ 270,600
Accounts payable and accrued expenses	123,134	83,612
Income beneficiaries payable	2,025,267	2,065,964
Funds held as agency funds	<u>56,721,108</u>	<u>47,223,388</u>
 Total liabilities	 59,151,509	 49,643,564
Net assets (notes 2 and 7):		
Unrestricted net assets	320,250,558	265,936,905
Temporarily restricted net assets	<u>3,925,530</u>	<u>3,078,405</u>
	<u>324,176,088</u>	<u>269,015,310</u>
 Total liabilities and net assets	 <u>\$383,327,597</u>	 <u>\$318,658,874</u>

See accompanying notes.

**MAINE COMMUNITY FOUNDATION  
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CONSOLIDATED STATEMENTS OF ACTIVITIES

Year Ended December 31, 2013 With Comparative  
Information for the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013</u>	<u>2012</u>
Revenue, gains and other support:				
Contributions	\$ 41,262,527	\$ 670,447	\$ 41,932,974	\$ 21,853,869
Less amounts received from agencies	(6,692,733)	-	(6,692,733)	(5,075,137)
Interest and dividend income	3,531,027	101	3,531,128	2,472,409
Less interest on amounts held for agencies	(481,758)	-	(481,758)	(317,201)
Net realized and unrealized gains on investments	46,154,911	738	46,155,649	32,180,751
Less gains on investments held for agencies	(6,818,568)	-	(6,818,568)	(4,692,326)
Remeasurement of charitable gift annuities and trusts receivables	(193,546)	282,361	88,815	(233,294)
Administrative revenue from amounts held for agencies	409,373	-	409,373	338,563
Other revenue	<u>1,796</u>	<u>-</u>	<u>1,796</u>	<u>33,408</u>
	77,173,029	953,647	78,126,676	46,561,042
Net assets released resulting from satisfaction of restrictions	<u>106,522</u>	<u>(106,522)</u>	<u>-</u>	<u>-</u>
Total revenue, gains and other support	77,279,551	847,125	78,126,676	46,561,042
Grants and expenses:				
Grants	22,098,623	-	22,098,623	17,832,771
Less amounts paid to agencies	(3,896,607)	-	(3,896,607)	(1,928,395)
Prior year grants canceled or returned	(69,744)	-	(69,744)	(64,196)
Administrative expenses:				
Program service	1,474,372	-	1,474,372	1,311,879
Management and general	1,046,504	-	1,046,504	932,417
Fundraising	885,536	-	885,536	790,905
Investment management fees	1,616,313	-	1,616,313	1,069,461
Less investment management fees on amounts held for agencies	<u>(189,099)</u>	<u>-</u>	<u>(189,099)</u>	<u>(149,120)</u>
Total grants and expenses	<u>22,965,898</u>	<u>-</u>	<u>22,965,898</u>	<u>19,795,722</u>
Increase in net assets	54,313,653	847,125	55,160,778	26,765,320
Net assets at beginning of year	<u>265,936,905</u>	<u>3,078,405</u>	<u>269,015,310</u>	<u>242,249,990</u>
Net assets at end of year	<u>\$320,250,558</u>	<u>\$ 3,925,530</u>	<u>\$324,176,088</u>	<u>\$269,015,310</u>

See accompanying notes.

**MAINE COMMUNITY FOUNDATION  
AND SUPPORTING ORGANIZATIONS**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31, 2013 With Comparative  
Information for the Year Ended December 31, 2012

	<u>2013</u>	<u>2012</u>
Cash flow from operating activities:		
Increase in net assets:	\$ 55,160,778	\$ 26,765,320
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	30,653	32,320
Net unrealized and realized investment gains	(46,155,649)	(32,180,751)
Increase in value of life insurance policies	(2,630)	(5,095)
Decrease in contribution receivable	296,956	127,188
(Increase) decrease in prepaid expenses and other receivables	(9,726)	2,065
(Increase) decrease in receivable from trusts	(204,618)	993,800
Increase in grants payable	11,400	52,800
Increase (decrease) in accounts payable and accrued expenses	39,522	(10,036)
Decrease in income beneficiaries payable	(40,697)	(67,943)
Increase in funds held as agency funds	<u>9,497,720</u>	<u>7,666,531</u>
Net cash provided by operating activities	18,623,709	3,376,199
Cash flows from investing activities:		
Purchase of investments	(301,890,514)	(119,157,485)
Proceeds from sale of investments	279,899,667	113,907,241
Proceeds from sale of noncash contributions	9,575	1,223,546
Origination of loans	-	(25,124)
Loan payments received	152,558	40,000
Purchase of property and equipment	<u>(37,708)</u>	<u>(11,549)</u>
Net cash used by investing activities	<u>(21,866,422)</u>	<u>(4,023,371)</u>
Net decrease in cash and cash equivalents	(3,242,713)	(647,172)
Cash and cash equivalents at beginning of year	<u>11,378,188</u>	<u>12,025,360</u>
Cash and cash equivalents at end of year	<u>\$ 8,135,475</u>	<u>\$ 11,378,188</u>

See accompanying notes.

**MAINE COMMUNITY FOUNDATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013 With Comparative  
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**1. Description of Organization**

The accompanying consolidated financial statements of the Maine Community Foundation (MaineCF) include all accounts of MaineCF and its supporting organizations, the Maine Community Supporting Foundation, the Edward H. Daveis Benevolent Fund and the Vincent B. and Barbara G. Welch Supporting Organization (collectively referred to as the Foundation). MaineCF exercises significant control over the supporting organizations. Accordingly, consolidated financial statements are presented which include MaineCF and its supporting organizations. All significant balances and transactions between the entities have been eliminated in the consolidation.

Founded in 1983, MaineCF is a nonprofit community foundation that works with charitably minded citizens to strengthen Maine communities by building charitable funds, connecting donors to organizations and programs they care about, making effective grants and providing leadership to address community issues.

Incorporated in 1998, Maine Community Supporting Foundation provides support to MaineCF by receiving gifts of real estate and other unique charitable gifts.

The Edward H. Daveis Benevolent Fund became a supporting organization in 2007. Its purpose is to serve charitable organizations that focus on early childhood and youth leadership in the greater Portland, Maine area.

The Vincent B. and Barbara G. Welch Supporting Organization became a supporting organization in 2009. Its purpose is to support charitable and educational programs including those assisting youth, education, health care, substance abuse treatment and rehabilitation, and art and culture in the greater Portland, Maine area.

The total net assets of the supporting organizations were \$8,587,776 and \$7,863,412 as of December 31, 2013 and 2012, respectively.

**2. Summary of Significant Accounting Policies**

*Basis of Presentation*

The accompanying consolidated financial statements, which are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), have been prepared to focus on the Foundation as a whole.

*Use of Estimates*

The preparation of financial statements in conformity with GAAP requires the Foundation's management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.



**MAINE COMMUNITY FOUNDATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013 With Comparative  
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**2. Summary of Significant Accounting Policies (Continued)**

*Classification of Net Assets*

The Foundation reports information regarding its financial position and activities in several classes of net assets. The Articles of Incorporation of the Foundation include a variance power provision which gives the Board of Directors the power to modify any restriction or condition on the distribution of funds. See Note 7 for further explanation. The net asset classes are as follows:

- Unrestricted net assets effectively have no donor-imposed stipulations as to their use. Under the terms of the Governing Documents, the Board of Directors has the ability to distribute as much of the corpus of any separate gift, devise, bequest, or fund as the board in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes.
- Temporarily restricted net assets contain donor-imposed stipulations that restrict the use or the timing of expending the donated assets. Temporarily restricted net assets include irrevocable charitable trusts, contributions receivable, and the portion of donor-restricted endowment funds that are deemed to be restricted over the donor-specified period of the endowment by explicit donor stipulation. In addition, investment returns from permanently and temporarily restricted net assets are classified as temporarily restricted until appropriated for expenditure. Once appropriated, temporarily restricted assets are released to unrestricted assets. Such transfers are reported in the statement of activities as "net assets released resulting from satisfaction of restrictions".
- Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity. The Foundation had no permanently restricted net assets at December 31, 2013 or 2012.

*Spending and Investment Policies*

The Foundation has adopted investment and spending policies for all endowment assets including board designated endowments (see Note 7) that attempt to provide a predictable stream of funding to organizations, scholarships and other programs supported by the Foundation while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective.

**MAINE COMMUNITY FOUNDATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2013 With Comparative  
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**2. Summary of Significant Accounting Policies (Continued)**

The long-term investment objective of the Foundation is to preserve and enhance the real value of the assets of the Foundation over time, in order to provide a sufficient rate of return for fulfilling the philanthropic purposes of the Foundation. To accomplish this objective, endowment assets are invested for growth in principal and income and for protection against inflation, with a goal to achieve a minimum real total return (adjusted for inflation), net of investment management and administrative fees, of 5% over a rolling three to five year period. The Foundation recognizes that this goal may be easily achieved in some periods but much harder to achieve in other periods. The Foundation has established a policy portfolio with a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives. For more information, see Note 3.

The spending policy calculates the amount of money distributed annually from the Foundation's various endowed funds. The annual distribution is used for grant making. The 2013 spending policy is to distribute an amount equal to 4% of the average fund balance measured over a 12 quarter period ending September 30 of the prior year.

For endowed funds that are below their historic gift value (the original value of all endowed gifts into the fund) as of the September 30 measurement date, the spending rate in the next calendar year will be reduced in a manner that will allow the funds to recover the amount below the historic gift value.

Approximately 95% of the assets of the Foundation are subject to an administrative fee that ranges from 0.20% to 1.50%. The actual fee assessed to a specific fund depends on the dollar value of the fund as well as the fund type. The average fee assessed on all funds is approximately 1.00% of the Foundation's assets. The administrative fees cover the entire cost of the administration of the Foundation.

Cash and Cash Equivalents

Cash and cash equivalents includes all highly liquid investments with an initial maturity of three months or less, except for those cash equivalents that are held as part of the investment portfolio.

Investments

The investment goal of the Foundation is to invest its assets in a manner that will achieve a total rate of return sufficient to replace the assets spent for grants and expenses and recoup any value lost due to inflation. To manage risk, the Foundation strives to diversify its investments among various financial instruments and asset categories and uses multiple investment strategies and managers. Key investment decisions are made by the Board of Directors' Investment Committee (Investment Committee), which has oversight responsibility for the Foundation's investment program. Investments are administered by investment managers chosen by the Investment Committee. The investment managers report the assigned values and market values of the investments and are responsible for custody and investment management under supervision of the Investment Committee.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**2. Summary of Significant Accounting Policies (Continued)**

Investment securities are stated at fair value. The fair value of debt securities and marketable equity securities are based on quoted market prices. The fair value of nonmarketable securities for which quoted market prices are not available are determined from information supplied by the investment managers based on the quoted market values of the underlying investments. The Foundation carries alternative investments at estimated fair value as determined by management based upon valuations provided by the respective investment managers. Gains and losses on investments are computed on a specific identification basis. Investment income, including realized and unrealized gains or losses, is allocated to the various funds based on a prorated average value of each fund relative to the entire value of the portfolio.

The Foundation has applied the accounting guidance in Accounting Standards Codification (ASC) Topic 820 which permits the use of net asset value (NAV) or its equivalent reported by each underlying alternative investment fund as a practical expedient to estimate the fair value of certain investments. These investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements or operations of the underlying assets. However, it is possible that these redemption rights may be restricted by the fund manager in the future in accordance with the underlying fund agreements, as applicable. Changes in market conditions, the economic environment, or the funds' liquidity provisions may significantly impact the NAV of the funds, and consequently, the fair value of the Foundation's interest in such funds. Although certain investments may be sold in a secondary market, the secondary market is not public and individual transactions are not necessarily observable. It is therefore possible that if the Foundation were to sell its interest in a fund in the secondary market, the sale could occur at an amount materially different from the reported value.

The Foundation's management is responsible for the fair value measurement of investments reported in the consolidated financial statements. The Foundation has implemented policies and procedures to assess the reasonableness of the fair values provided. Because of the inherent uncertainty of valuation for these investments, the estimate of the fund manager or general partner may differ from actual values, and the differences could be significant. The Foundation believes that reported fair values of its alternative investments at the statement of financial position dates are reasonable.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, liquidity and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**2. Summary of Significant Accounting Policies (Continued)**

*Contributions Receivable*

Unconditional promises to give are recorded as contributions in the year the promise is received. Unconditional promises to give, other than those related to funds held as agency funds, that are expected to be received in future periods are discounted using a risk-free rate applicable to the years in which the promises are received, and approximate fair value. Amortization of the discount is recorded as contribution revenue. An allowance for uncollectible contributions receivable is provided as deemed necessary by management based on a review of the underlying pledges. Amounts are charged off when deemed uncollectible. Management determined that no allowance was required at December 31, 2013 or 2012.

*Receivable From Trusts*

The Foundation is the beneficiary of certain irrevocable trusts. In cases where the Foundation does not act as trustee, the Foundation has recorded an asset at the present value of the estimated revenue to be received from the trusts. The Foundation did not act as trustee on any irrevocable trust at December 31, 2013 or 2012.

*Property and Equipment*

Property and equipment is stated at cost less accumulated depreciation. The Foundation's policy is to capitalize expenditures over \$5,000 as major improvements or equipment and charge maintenance and repairs for expenditures that do not exceed that amount. Depreciation is provided by the straight-line method in a manner which is intended to amortize the cost of the assets over their estimated useful life.

*Income Beneficiaries Payable*

The Foundation has recorded a liability for the amount due to income beneficiaries of pooled income funds and charitable gift annuities when the Foundation acts as trustee. The present value of the estimated future payments to be distributed during the beneficiaries' expected life is recorded as a liability using a discount rate of 5% for the years ended December 31, 2013 and 2012.

*Funds Held as Agency Funds*

ASC 958-605-25, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, requires that if a community foundation accepts a contribution from a not-for-profit organization and the foundation agrees to transfer those assets, the return on investment of those assets, or both to the not-for-profit organization, then these contributions must be presented as a liability on the foundation's financial statements. The Foundation refers to these funds as agency funds.

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**2. Summary of Significant Accounting Policies (Continued)**

The agency fund is reported by the Foundation as an asset on its consolidated statement of position offset by a corresponding liability. The not-for-profit organization that transferred the fund continues to report an asset on its statement of financial position.

In order to report all Foundation activity on the consolidated statement of activities, the Foundation includes agency fund activity in total revenue, grants, and expenses and then reduces revenue, grants, and expenses on a separate line for agency activity.

Investment Fees

The Foundation invests in several commingled funds and limited partnerships. Most of these funds and partnerships report income net of fees and the Foundation follows the same practice. As a result, some of the fees paid to investment managers are reflected as a reduction of investment income.

Income Taxes

MaineCF and two of its supporting organizations, Maine Community Supporting Foundation and the Vincent B. and Barbara G. Welch Supporting Organization are tax-exempt organizations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are generally exempt from income taxes pursuant to Section 501(a) of the Code and qualify as public charities under Section 170(b)(1)(A)(vi) of the Code.

The Edward H. Daveis Benevolent Fund is exempt from federal income taxes under Section 507(b)(1)(B) of the Code. However, a notification of intent to terminate its private foundation status and to operate as a 509(a)(3) organization was filed with the Internal Revenue Service. An advance ruling period of 60 months began January 1, 2007 and ended December 31, 2011. The Foundation has requested a final ruling from the Internal Revenue Service.

MaineCF pays unrelated business income taxes on income from certain types of transactions within investment partnerships. Such amounts are not material to the Foundation's activities or financial position.

In certain circumstances, tax-exempt organizations may be required to record an obligation for income taxes as the result of a tax position they have historically taken on various tax exposure items including unrelated business income or tax status. Under guidance issued by the Financial Accounting Standards Board, assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the "more-likely-than-not" threshold, based upon the technical merits of the position. Estimated interest and penalties, if applicable, related to uncertain tax positions are included as a component of income tax expense.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**2. Summary of Significant Accounting Policies (Continued)**

Management has evaluated the Foundation's tax positions and concluded that the Foundation has maintained its tax-exempt status, does not have any significant unrelated business income and has taken no uncertain tax positions that require adjustment to the consolidated financial statements. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. Federal or State tax authorities for years before 2010.

*Functional Expenses*

Expenses are allocated to both programs and support services. Salaries and wages are allocated based on estimates of time spent by the members of the staff. All other expenses are charged to each functional area based on direct expenditures incurred or based on allocation of staff time by functional area.

*Disclosures About the Fair Value of Financial Instruments*

The carrying value of the Foundation's cash and cash equivalents, contributions receivable and cash surrender value of life insurance approximate their fair values.

There is no market for loans receivable and fair value is not determinable. The Foundation carries loans at amortized cost.

The carrying value of receivable from trusts is based on the present value of estimated future cash flows from the trusts, which approximates fair value of the underlying assets.

The carrying value of grants payable is based on the present value of the future payments of the grants which management believes approximates fair value.

The carrying value of income beneficiaries payable is based on the present value of future payments to beneficiaries based on their expected lives which management believes approximates fair value.

The carrying value of funds held as agency funds are stated at fair value based on the fair value of the underlying assets.

*Fair Value Measurements*

As required by ASC Topic 820, the Foundation classifies its investments into:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

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Year Ended December 31, 2013 With Comparative  
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**2. Summary of Significant Accounting Policies (Continued)**

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The levels relate to valuation only and do not necessarily indicate a measure of risk.

*Subsequent Events*

Events occurring after the date of the consolidated statement of financial position are evaluated by management to determine whether such events should be recognized or disclosed in the financial statements. Management has evaluated subsequent events through August 21, 2014 which is the date the financial statements were available to be issued.

**3. Investments**

The following table summarizes the Foundation's investments within the fair value hierarchy as of December 31, 2013 and 2012:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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**3. Investments (Continued)**

*2013 Investment Hierarchy and Liquidity*

	Level 1	Level 2	Level 3	Total	Liquidity		
					Daily	Semi-Monthly to Semi-Annual	Greater Than Semi-Annual
<b>Marketable equities:</b>							
U.S. equities	\$ 54,690,074	\$ 42,719,783	\$ –	\$ 97,409,857	\$ 70,029,454	\$ 27,380,403	\$ –
Non-U.S. developed markets	15,486,075	34,348,062	–	49,834,137	15,486,075	28,803,212	5,544,850
Emerging markets	<u>6,921,670</u>	<u>18,518,075</u>	<u>3,297,334</u>	<u>28,737,079</u>	<u>6,921,670</u>	<u>18,518,075</u>	<u>3,297,334</u>
Total marketable equities	<u>77,097,819</u>	<u>95,585,920</u>	<u>3,297,334</u>	<u>175,981,073</u>	<u>92,437,199</u>	<u>74,701,690</u>	<u>8,842,184</u>
<b>Marketable alternatives:</b>							
Multi-strategy	–	–	51,964,026	51,964,026	–	40,004,616	11,959,410
Distressed debt	–	–	11,754,160	11,754,160	–	11,754,160	–
Long/short equities	–	–	4,199,640	4,199,640	–	4,199,640	–
Global equities	<u>–</u>	<u>–</u>	<u>14,269,547</u>	<u>14,269,547</u>	<u>–</u>	<u>5,215,399</u>	<u>9,054,148</u>
Total marketable alternatives	<u>–</u>	<u>–</u>	<u>82,187,373</u>	<u>82,187,373</u>	<u>–</u>	<u>61,173,815</u>	<u>21,013,558</u>
Private equity and venture capital	–	–	18,771,520	18,771,520	–	–	18,771,520
<b>Real assets:</b>							
Real estate	–	3,268,209	7,912,749	11,180,958	3,268,209	–	7,912,749
Timber	–	55,924	1,254,318	1,310,242	55,924	–	1,254,318
Energy	–	1,245,141	7,461,097	8,706,238	1,245,141	–	7,461,097
Mining	–	228,632	500,026	728,658	228,632	–	500,026
Commodities	–	1,616,778	–	1,616,778	1,616,778	–	–
Other	<u>46,629</u>	<u>115,138</u>	<u>487,393</u>	<u>649,160</u>	<u>161,767</u>	<u>–</u>	<u>487,393</u>
Total real estate	<u>46,629</u>	<u>6,529,822</u>	<u>17,615,583</u>	<u>24,192,034</u>	<u>6,576,451</u>	<u>–</u>	<u>17,615,583</u>
<b>Fixed income:</b>							
U.S. Treasuries and Agency bonds	396,943	18,111,507	–	18,508,450	18,396,984	111,466	–
U.S. TIPS	4,891,106	–	–	4,891,106	4,891,106	–	–
Certificates of deposit – FDIC insured	1,798,419	–	–	1,798,419	1,798,419	–	–
Other	<u>1,201,029</u>	<u>–</u>	<u>–</u>	<u>1,201,029</u>	<u>1,201,029</u>	<u>–</u>	<u>–</u>
Total fixed income	<u>8,287,497</u>	<u>18,111,507</u>	<u>–</u>	<u>26,399,004</u>	<u>26,287,538</u>	<u>111,466</u>	<u>–</u>
<b>Cash and cash equivalents:</b>							
Cash – FDIC insured	27,754,237	–	–	27,754,237	27,754,237	–	–
Money market funds	<u>14,455,715</u>	<u>979,343</u>	<u>–</u>	<u>15,435,058</u>	<u>14,455,715</u>	<u>979,343</u>	<u>–</u>
Total cash	<u>42,209,952</u>	<u>979,343</u>	<u>–</u>	<u>43,189,295</u>	<u>42,209,952</u>	<u>979,343</u>	<u>–</u>
Total investments	<u>\$ 127,641,897</u>	<u>\$ 121,206,592</u>	<u>\$ 121,871,810</u>	<u>\$ 370,720,299</u>	<u>\$ 167,511,140</u>	<u>\$ 136,966,314</u>	<u>\$ 66,242,845</u>



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**3. Investments (Continued)**

*2012 Investment Hierarchy and Liquidity*

	Level 1	Level 2	Level 3	Total	Liquidity		
					Daily	Semi-Monthly to Semi-Annual	Greater Than Semi-Annual
Marketable equities:							
U.S. equities	\$ 48,072,601	\$ 37,444,803	\$ –	\$ 85,517,404	\$ 63,749,593	\$ 21,767,811	\$ –
Non-U.S. developed markets	22,120,422	21,815,722	–	43,936,144	22,120,422	21,815,722	–
Emerging markets	–	18,189,893	2,986,781	21,176,674	–	18,189,893	2,986,781
Total marketable equities	70,193,023	77,450,418	2,986,781	150,630,222	85,870,015	61,773,426	2,986,781
Marketable alternatives:							
Multi-strategy	–	–	43,449,170	43,449,170	–	32,824,204	10,624,966
Distressed debt	–	–	10,505,971	10,505,971	–	10,505,971	–
Long/short equities	–	–	3,380,010	3,380,010	–	3,380,010	–
Global equities	–	–	5,969,889	5,969,889	–	2,968,942	3,000,947
Total marketable alternatives	–	–	63,305,040	63,305,040	–	49,679,127	13,625,913
Private equity and venture capital	–	–	13,492,356	13,492,356	–	–	13,492,356
Real assets:							
Real estate	–	3,181,474	7,894,117	11,075,591	3,181,474	–	7,894,117
Timber	–	15,872	1,082,850	1,098,722	15,872	–	1,082,850
Energy	–	1,110,991	6,294,523	7,405,514	1,110,991	–	6,294,523
Mining	–	323,774	537,252	861,026	323,774	–	537,252
Commodities	526	1,585,231	–	1,585,757	1,585,757	–	–
Other	–	136,493	776,063	912,556	136,493	–	776,063
Total real estate	526	6,353,835	16,584,805	22,939,166	6,354,361	–	16,584,805
Fixed income:							
U.S. Treasuries and Agency bonds	2,852,709	14,739,841	–	17,592,550	17,592,550	–	–
U.S. TIPs	5,822,344	–	–	5,822,344	5,822,344	–	–
Corporate credit and other fixed income	4,227,861	–	–	4,227,861	4,227,861	–	–
Certificates of deposit – FDIC insured	2,765,921	–	–	2,765,921	2,765,921	–	–
Other	1,777,181	–	–	1,777,181	1,777,181	–	–
Total fixed income	17,446,016	14,739,841	–	32,185,857	32,185,857	–	–
Cash and cash equivalents:							
Cash – FDIC insured	15,152,482	–	–	15,152,482	15,152,482	–	–
Money market funds	4,606,984	261,696	–	4,868,680	4,606,984	261,696	–
Total cash	19,759,466	261,696	–	20,021,162	19,759,466	261,696	–
Total investments	\$ 107,399,031	\$ 98,805,790	\$ 96,368,982	\$ 302,573,803	\$ 144,169,699	\$ 111,714,249	\$ 46,689,855

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**3. Investments (Continued)**

For the fiscal year ended December 31, 2013, the application of valuation techniques applied to similar assets and liabilities has been consistent.

*Level 3 Investment Activity*

The following table presents the Foundation's activity for the fiscal years ended December 31, 2013 and 2012 for investments classified as Level 3:

	<u>Emerging Markets</u>	<u>Market- able Alter- natives</u>	<u>Private Equity and Venture Capital</u>	<u>Real Assets</u>	<u>Total</u>
<b><u>2013</u></b>					
Beginning balance	\$2,986,781	\$63,305,040	\$13,492,356	\$16,584,805	\$ 96,368,982
Total gains or losses (realized/ unrealized) recognized in statement of activities	310,553	8,706,359	4,034,989	681,583	13,733,484
Purchases and capital calls	—	10,500,000	3,355,572	3,325,000	17,180,572
Sales	—	(324,026)	(7,771)	—	(331,797)
Distributions	—	—	(2,103,626)	(2,975,805)	(5,079,431)
Ending balance	<u>\$3,297,334</u>	<u>\$82,187,373</u>	<u>\$18,771,520</u>	<u>\$17,615,583</u>	<u>\$121,871,810</u>
Amount of total gains or losses for the period attri- butable to the change in unrealized gains or losses relating to assets still held at the reporting date	<u>\$ 39,918</u>	<u>\$ 5,917,465</u>	<u>\$ 3,018,811</u>	<u>\$ 211,231</u>	<u>\$ 9,187,425</u>
<b><u>2012</u></b>					
Beginning balance	\$2,489,177	\$47,559,032	\$13,031,131	\$13,935,585	\$ 77,014,925
Total gains or losses (realized/ unrealized) recognized in statement of activities	497,604	6,699,836	380,257	1,227,036	8,804,733
Purchases and capital calls	—	9,500,000	1,854,250	3,164,536	14,518,786
Sales	—	(453,828)	(24,157)	—	(477,985)
Distributions	—	—	(1,749,125)	(1,742,352)	(3,491,477)
Ending balance	<u>\$2,986,781</u>	<u>\$63,305,040</u>	<u>\$13,492,356</u>	<u>\$16,584,805</u>	<u>\$ 96,368,982</u>
Amount of total gains or losses for the period attri- butable to the change in unrealized gains or losses relating to assets still held at the reporting date	<u>\$ 556,211</u>	<u>\$ 6,112,016</u>	<u>\$ (551,601)</u>	<u>\$ 836,706</u>	<u>\$ 6,953,332</u>

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**3. Investments (Continued)**

*Marketable Equities*

The purpose of the equity allocation (broadly defined to include domestic stocks and foreign stocks) is to provide appreciation of principal that more than offsets inflation over the long run. It is recognized that pursuit of this objective could entail the assumption of greater return variability and risk within individual asset classes. However, the diversification benefits of combining various equity components should enhance the overall portfolio risk-return profile. U.S. equity managers are permitted to invest in publicly traded equity securities, both U.S. and non-U.S., and, where appropriate, fixed income securities as equity substitutes. Non-U.S. managers are permitted to hold equity securities traded in non-U.S. developed and emerging markets.

*Marketable Alternative Investments*

The role of marketable alternative (MALT) investments, often referred to as "hedge funds," is to increase portfolio diversification through offering sources of return that have a lower correlation to traditional equity and fixed income markets. The object of marketable alternative investments is to provide relatively consistent returns in most markets and principal protection in significantly down equity markets, reducing overall volatility of the portfolio. Investments in the MALT program may take the form of direct investment in a limited partnership of a single manager or fund-of-funds manager. MALT managers may engage in the use of derivatives (options/futures/forwards) as part of their investment strategy. MALT investments are generally less liquid than their traditional equity counterparts. MALT managers have entry/exit terms and capital lockup periods that range from quarterly to five years from the date of the original investment.

*Private Equity and Venture Investments*

The purpose of private equity and venture capital is to provide increased return potential and to reduce overall volatility of the portfolio through greater diversification. These investments can be made either in the form of direct investment, partnerships, fund-of-funds or with an investment manager. These assets are less liquid and require a longer investment horizon. Most require a multi-year commitment of capital for a minimum of ten years.

*Real Assets*

Real assets may include more liquid investments, such as inflation-linked bonds, real estate securities and commodity futures, in addition to nonmarketable investments in real estate, oil and gas producing properties, and timberland, either directly or through funds-of-funds. Investment in real assets is through direct ownership or investment in financial assets which are related to or strongly influenced by the value of the tangible asset.

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**3. Investments (Continued)**

*Fixed Income Investments*

The purpose of the fixed income allocation is to provide a hedge against deflation, to increase current income relative to an all-equity fund, and to reduce overall volatility of the fund. The purpose of including opportunistic fixed income assets such as, but not limited to, inflation-linked bonds, global and high yield securities in the portfolio is to enhance the overall risk-return characteristics of the fund.

*Liquidity*

Following are additional details regarding the liquidity of investments at December 31:

	<u>Fair Value</u>		<u>Redemption Notice Period</u>
	<u>2013</u>	<u>2012</u>	
Daily	\$163,511,140	\$ 144,169,699	1-5 Days
Semi-monthly	15,625,535	14,166,986	2-5 Days
Monthly	23,733,474	21,158,836	30 Days
Quarterly	12,844,683	5,887,734	20-30 Days
Quarterly	55,958,415	46,710,184	60-65 Days
Semi-annual	28,804,207	23,790,509	30 Days
1-5 years	<u>31,100,386</u>	<u>14,251,184</u>	
Total liquid investments	331,577,840	270,135,132	
 Illiquid	 <u>39,142,459</u>	 <u>32,438,671</u>	
	<u>\$370,720,299</u>	<u>\$ 302,573,803</u>	

The illiquid investments noted above generally are investments which require a long-term investment commitment, are not publicly traded, and are intended to be held for the life of the investment fund or partnership. Accordingly, any attempt to sell these investments before the end of their investment period could result in the Foundation realizing less than fair value at the time of any early redemptions. The Foundation intends to hold the investments until maturity, which is expected to be from 2014 to 2023.

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**3. Investments (Continued)**

*Net Asset Value (NAV) per Share*

Certain investments are measured at NAV and are redeemable with the funds or limited partnerships at NAV under the original terms of the subscription agreement and/or partnership agreements. The majority of such redemptions require 90 days or less written notice prior to the redemption period. The following table discloses the fair value and redemption frequency of those assets whose fair value is estimated using the net asset value per share at December 31, 2013:

<u>Investment</u>	<u>Fair Value</u>	<u>Unfunded Commit- ment</u>	<u>Redemp- tion Frequency</u>	<u>Redemption Notice Period</u>
Global Equity Funds/non U.S. development markets	\$ 8,084,802	\$ –	Semi- monthly	2 days
Global Equity Funds/ emerging markets	18,518,075	–	Monthly	30 days
U.S. Equity Fund	15,860,030	–	Daily	2 days
Non-U.S. developed markets	5,442,500	–	Quarterly	30 days
Non-U.S. developed markets	5,544,850	–	1-5 Years*	90 days
Alternative investments:				
Marketable alternatives	4,199,640	–	Quarterly	65 days prior notice
Marketable alternatives	5,215,399	–	Monthly	30 days
Marketable alternatives	21,805,157	–	Quarterly	60 days per fiscal quarter 10% limit
Real Asset Fund	6,529,822	–	Daily	2 days
Fixed Income	18,111,507	–	Daily	2 days

\* After an initial three year lockout period

*Investment Income*

The principal components of investment income consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 3,531,128	\$ 2,472,409
Net realized and unrealized gains	<u>46,155,649</u>	<u>32,180,751</u>
Return on investments	<u>\$49,686,777</u>	<u>\$34,653,160</u>

The Foundation has an investment in three indexed products held in a common collective trust at a single institution which represents 13% and 15% of total investments at December 31, 2013 and 2012, respectively.

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**3. Investments (Continued)**

*Commitments*

Private equity, venture capital, real estate and natural resource investments are generally made through limited partnerships. Under the terms of these agreements, the Foundation is obligated to remit additional funding periodically as capital calls are exercised by the manager. As a result, the timing and amount of future capital calls expected to be exercised in any particular future year is uncertain. These partnerships have a limited existence, generally around ten years and such agreements may provide for annual extensions for the purpose of disposing of portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy and other factors, a manager may extend the term of a fund beyond its originally anticipated existence or may wind down the fund prematurely. The Foundation cannot anticipate such changes because they are based on unforeseen events, but should they occur, they may result in less liquidity or return from the investment than originally anticipated.

Unfunded commitments at December 31 were as follows:

	<u>Number of Commitments</u>	<u>Year of First Commitment</u>	<u>2013</u>	<u>2012</u>
Private equity and venture capital	13	1997	\$ 7,109,830	\$ 8,462,705
Real estate	7	2005	3,167,250	4,354,750
Natural resources	7	2005	6,186,000	8,213,500
Distressed opportunities	1	2011	<u>3,000,000</u>	<u>3,000,000</u>
Total unfunded commitments			<u>\$19,463,080</u>	<u>\$24,030,955</u>

These amounts are generally payable within ten days of the receipt of a capital call notice. The Foundation has no control as to when a request for funding will be received. It is currently anticipated that the Foundation will be required to fund these commitments within the next three years, but the specific timing is ultimately subject to the discretion of the fund managers.

Capital calls for the unfunded commitments for private equity, venture capital and distressed opportunities are made from cash and marketable investments in U.S. equities. Capital calls for the unfunded commitments to real estate and natural resources are made from cash and marketable investments in a real asset fund.

**4. Contributions**

At December 31, 2013 and 2012, contributions receivable includes \$81,015 and \$753,313, respectively, of amounts due under a fundraising campaign for building construction for which the Foundation is assisting a local school district. The Foundation is serving as an agent for the school district and amounts raised as part of the campaign are included in funds held as agency funds.

For the year ended December 31, 2013, 53% of contributions were made from one source.

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**5. Loans Receivable**

Loans receivable relate to investments made to the Foundation's philanthropic programs and are anticipated to have a less than market return. At December 31, 2013 and 2012, loans receivable consist of unsecured loans to one and three nonprofit organizations, respectively, in support of their charitable mission. These loans mature in 2014 through 2017.

**6. Property and Equipment**

Property and equipment consists of the following at December 31:

	<u>2013</u>	<u>2012</u>
Building and building improvements	\$ 541,377	\$ 541,377
Land	71,000	71,000
Furniture and office equipment	133,321	124,938
Computer equipment	36,547	36,547
Vehicles	51,568	22,243
Art	<u>6,200</u>	<u>6,200</u>
	840,013	802,305
Less accumulated depreciation	<u>(391,677)</u>	<u>(361,024)</u>
	<u>\$ 448,336</u>	<u>\$ 441,281</u>

**7. Net Assets**

In July 2006, The National Conference of Commissioners on Uniform State Laws approved the Uniform Prudent Management of Institutional Funds Act (UPMIFA). In 2009, the State of Maine passed a version of UPMIFA, effective on July 1, 2009. The Board of Directors of the Foundation has interpreted the Maine *Uniform Prudent Management of Institutional Funds Act* as requiring the preservation of the fair value of the endowed gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

The Board of Directors, on the advice of legal counsel, has determined that substantially all of the Foundation's contributions are received subject to the terms of the Governing Documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Foundation. Under the terms of the gift instruments and the Governing Documents, the Board of Directors has Variance Power, as delineated in the Foundation's Articles of Incorporation, to:

*Modify, consistent with State law including seeking approval of the appropriate court or the Attorney General, where applicable, any restriction or condition on the distribution of funds for any specified organization if in the sole judgment of the Board of Directors (without the necessity of the approval of any participating trustee, custodian, or agent), that such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community*

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**7. Net Assets (Continued)**

Because this broad Variance Power gives the Foundation the legal authority to modify "any restriction or condition on the distribution of funds," institutional funds held by the Foundation are not "endowed funds" as a legal matter, even if the gift instrument specifies that distributions will be made according to a board-designated spending policy or from the fund's income. Accordingly, there are no donor restricted endowment funds or permanently restricted assets as of December 31, 2013 or 2012.

As of December 31, 2013, the Foundation holds approximately 1,470 funds with total assets of nearly \$381 million. The gift instruments on 534 of the funds with total assets of about \$117 million include language that refers to "income only spending", "the Foundation's board-designated spending policy" or other language that implies the preservation of principal. In virtually all cases, the Foundation has honored the donor's intention to preserve the principal of these funds that, absent the Variance Power held by the Foundation's Board of Directors, would be treated as donor restricted endowment funds. As a result, the Foundation considers these 534 funds to be Board-Designated Endowment Funds. The Foundation has established unique funds to account for the Historic Gift Value and other activity related to the assets contributed to these Board-Designated Endowment Funds since the inception of each fund.

During the years ended December 31, 2013 and 2012, the board of directors exercised variance power, after receiving approval from the State of Maine Attorney General's office, on Board-Designated Endowment Fund assets totaling \$4,256 and \$15,865, respectively. The designated organization ceased operations in 2012. The balance of the fund was distributed to an organization providing similar services in the same geographic area.

*Board Designated Endowment Funds*

Board-Designated Endowment Funds are included in unrestricted net assets in the consolidated statement of financial position. The following table summarizes the activity in Board-Designated Endowment Funds for 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Number of funds	534	528
Balance at January 1	\$104,971,977	\$ 95,155,959
Board restriction released by variance power	(4,256)	(15,865)
Adjustments resulting from donor requested changes	<u>(249,504)</u>	<u>(26,288)</u>
Adjusted balance at January 1	104,718,217	95,113,806
Contributions	1,860,380	3,080,174
Interest and dividend income	1,070,709	702,070
Net realized and unrealized gains (losses) on investments	14,492,425	11,241,954
Grants and other expenditures	(3,884,734)	(3,991,846)
Administrative fees	<u>(1,266,361)</u>	<u>(1,174,181)</u>
Balance at December 31	<u>\$116,990,636</u>	<u>\$ 104,971,977</u>



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**7. Net Assets (Continued)**

As of December 31, 2013 and 2012, there are 9 and 42, respectively, individual Board-Designated Endowment Funds that are below their Historic Gift Value. The aggregate amount below the Historic Gift Value is \$308,000 and \$1.1 million on a total Historic Gift Value in excess of \$1.7 million and \$11.5 million at December 31, 2013 and 2012, respectively.

*Temporarily Restricted Net Assets*

Temporarily restricted net assets consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Purpose restricted contribution	\$1,195,000	\$1,195,000
Remainder interest from split-interest agreements and bequests	2,562,694	1,717,798
Life insurance	137,899	135,269
Assets held for sale	<u>29,937</u>	<u>30,338</u>
Total temporarily restricted net assets	<u>\$3,925,530</u>	<u>\$3,078,405</u>

*Net Asset Fund Types*

The Foundation maintains the following types of funds within its net assets:

*Designated Funds* are established by a donor(s) to support the work of specific nonprofit organization(s). Gifts provide the selected organization with funding and the benefit of the Foundation's investment oversight. If the selected nonprofit organization ceases to exist, the Foundation's Board of Directors will identify another nonprofit whose purpose most closely resembles the original charitable intent of the donor.

*Discretionary Funds* are established to provide broad charitable support for community well-being in a wide variety of areas of interest. They provide the most flexibility in meeting the changing needs of our communities by allowing the Foundation to direct grants where they will have the greatest impact.

*Donor-Advised Funds* are an economical, flexible vehicle for individual and family philanthropy. An attractive alternative to private foundations, advised funds enable donors to recommend grants to qualified nonprofit organizations in their areas of interest, in Maine or anywhere in the country. Donor advisors can consult with MaineCF staff about their grantmaking.

*Field-of-Interest Funds* connect charitable investments with a specific area of interest or concern, such as higher education, the environment, arts, health and community well-being. The donor identifies interests, and the Foundation awards grants to community organizations and programs that are making a difference in those fields. Included in field of interest funds are Community Building, County, and Regional Funds which address a broad spectrum of issues and needs in Maine. Gifts provide flexibility for the Foundation to respond to future challenges and opportunities.

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**7. Net Assets (Continued)**

*Scholarship Funds* are established to award scholarships that help students achieve their educational aspirations. They provide access to educational opportunities for a wide variety of students. A scholarship fund may benefit a particular community, a particular educational institution, or a particular field of study.

**8. Commitments and Contingencies**

*Retirement Plans*

On January 1, 2008, the Foundation established a 401(k) plan which covers all employees. New employees are eligible to participate in the plan starting with the first pay period of the month following employment. No minimum hours of service are required. The Foundation's contribution to the 401(k) plan in 2013 and 2012 was 6% of each employee's compensation. Effective January 1, 2013, the Foundation offered a 50% match to employee contributions up to 6%. The total Foundation contributions in 2013 and 2012 were \$156,403 and \$139,199, respectively. Employees may elect to contribute a percentage of their compensation up to the maximum amount allowed by the Internal Revenue Code.

In 2011, the Foundation adopted a deferred compensation plan for the senior management team. The purpose of this plan is to provide supplemental retirement income and to assist in retention of key employees by offering benefits comparable with similar organizations. Annual contributions to the plan are approved each year by the board of directors. The cost is expensed in the year in which the contributions are approved. Although the plan was approved in 2011, it was not established until 2012, at which time a new feature was added to the existing 401(k) plan. Total cost of the deferred compensation plan charged to operations in 2013 and 2012 was \$37,000 and \$36,000, respectively. At December 31, 2013 and 2012, \$37,000 and \$36,000, respectively, was accrued for this obligation. Total compensation including deferred compensation is evaluated and approved annually by the board.

*Health Insurance Plan*

The Foundation is a member of a group health insurance captive that provides group health insurance benefits to eligible Foundation employees. As part of the captive agreement, members, including the Foundation, are liable jointly and severally for the captive's net obligation at any point in time. At December 31, 2013, management estimated the Foundation's share of the captive net obligation on a "contingent basis" is between \$25,000 and \$50,000. As of December 31, 2013, management has determined that it is probable that an obligation will arise but the amount will be immaterial. Accordingly, no liability related to the Foundation's joint and several liability has been recorded in the accompanying consolidated financial statements.

**9. Concentration of Credit Risk**

The Foundation maintains cash and cash equivalents with several broker-dealers. Accounts at each broker-dealer are insured by the SIPC up to \$500,000. At December 31, 2013, approximately \$1.8 million of the Foundation's cash and cash equivalent balances were held in uninsured money market funds at a AA+ (Standard & Poor's) credit rated financial institution.