BAKER NEWMAN NOYES

Maine Community Foundation and Supporting Organizations

Audited Consolidated Financial Statements

Year Ended December 31, 2016 With Comparative Information for the Year Ended December 31, 2015 With Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

Board of Directors
Maine Community Foundation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Maine Community Foundation and Supporting Organizations (the Foundation), which comprise the consolidated statement of financial position as of December 31, 2016, the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 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 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2016, and the 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.

Board of Directors
Maine Community Foundation

Report on Summarized Comparative Information

We have previously audited the Foundation's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 29, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BAKER NEWMAN & NOYES LLC
Portland, Maine
September 11, 2017

MAINE COMMUNITY FOUNDATION
AND SUPPORTING ORGANIZATIONS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents (note 9)	$ 8,263,379	$ 8,072,905
Investments (notes 3 and 9)	436,331,048	394,589,594
Contributions receivable (note 4)	7,889,744	17,827,440
Prepaid expenses and other receivables	236,031	242,596
Receivable from trusts	2,075,246	2,796,493
Impact investments (note 5)	3,904,775	2,992,747
Cash surrender value of life insurance	153,118	147,986
Property and equipment, net (note 6)	582,548	538,963
Total assets	$ 459,435,889	$ 427,208,724
LIABILITIES AND NET ASSETS		
Grants payable (note 10)	$ 6,673,935	$ 10,327,007
Accounts payable and accrued expenses	383,496	90,529
Income beneficiaries payable	1,762,800	1,832,976
Funds held as agency funds	80,463,399	67,748,914
Total liabilities	89,283,630	79,999,426
Net assets (notes 2 and 7):		
Unrestricted net assets	360,075,662	326,483,193
Temporarily restricted net assets	10,076,597	20,726,105
	370,152,259	347,209,298
Total liabilities and net assets	$ 459,435,889	$ 427,208,724

See accompanying notes.

MAINE COMMUNITY FOUNDATION
AND SUPPORTING ORGANIZATIONS

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year Ended December 31, 2016 With Comparative
Information for the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	2016	2015
Revenue, gains and other support:				
Contributions	$ 33,939,742	$ 7,849,646	$ 41,789,388	$ 49,401,242
Less amounts received from agencies	(10,702,305)	–	(10,702,305)	(8,367,256)
Interest and dividend income	2,999,453	1,000	3,000,453	1,888,667
Less interest on amounts held for agencies	(394,357)	–	(394,357)	(304,266)
Net realized and unrealized gains (losses) on investments	31,753,184	–	31,753,184	(4,101,091)
Less (gains) loss on investments held for agencies	(5,393,182)	–	(5,393,182)	531,615
Remeasurement of charitable gift annuities and trusts receivables	(123,421)	(623,662)	(747,083)	(559,848)
Administrative revenue from amounts held for agencies	594,989	–	594,989	543,360
Other revenue	11,673	–	11,673	–
	52,685,776	7,226,984	59,912,760	39,032,423
Net assets released resulting from satisfaction of restrictions	17,876,492	(17,876,492)	–	–
Total revenue, gains and other support	70,562,268	(10,649,508)	59,912,760	39,032,423
Grants and expenses:				
Grants	33,792,807	–	33,792,807	35,554,690
Less amounts paid to agencies	(2,941,196)	–	(2,941,196)	(3,413,860)
Prior year grants canceled or returned	(122,550)	–	(122,550)	(114,825)
Administrative expenses:				
Program service	1,639,615	–	1,639,615	1,719,192
Management and general	1,434,916	–	1,434,916	1,267,004
Fundraising	1,143,913	–	1,143,913	1,124,338
Investment management fees	1,945,317	–	1,945,317	2,085,584
Less investment management fees on amounts held for agencies	(348,869)	–	(348,869)	(337,054)
Total grants and expenses	36,543,953	–	36,543,953	37,885,069
Unrelated business income taxes	425,846	–	425,846	–
Total expenses	36,969,799	–	36,969,799	37,885,069
Increase (decrease) in net assets	33,592,469	(10,649,508)	22,942,961	1,147,354
Net assets at beginning of year	326,483,193	20,726,105	347,209,298	346,061,944
Net assets at end of year	$ 360,075,662	$ 10,076,597	$ 370,152,259	$ 347,209,298

See accompanying notes.

MAINE COMMUNITY FOUNDATION
AND SUPPORTING ORGANIZATIONS

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31, 2016 With Comparative
Information for the Year Ended December 31, 2015

	2016	2015
Cash flow from operating activities:		
Increase in net assets:	$ 22,942,961	$ 1,147,354
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	44,517	34,492
Net unrealized and realized investment (gains) losses	(31,753,184)	4,101,091
Increase in value of life insurance policies	(5,132)	(8,583)
Decrease (increase) in contribution receivable	9,937,696	(13,370,996)
Decrease (increase) in prepaid expenses and other receivables	6,565	(38,234)
Decrease in receivable from trusts	721,247	814,583
(Decrease) increase in grants payable	(3,653,072)	10,146,631
Increase (decrease) in accounts payable and accrued expenses	292,967	(68,140)
(Decrease) increase in income beneficiaries payable	(70,176)	22,986
Increase in funds held as agency funds	12,714,485	3,849,768
Net cash provided by operating activities	11,178,874	6,630,952
Cash flows from investing activities:		
Purchase of investments	(255,997,334)	(184,006,026)
Proceeds from sale of investments	246,009,064	177,939,450
Purchase of impact investments	(362,028)	(49,591)
Payment received on impact investment loans	500,000	50,000
Origination of impact investment loans	(1,050,000)	(500,000)
Purchase of property and equipment	(88,102)	(37,113)
Net cash used by investing activities	(10,988,400)	(6,603,280)
Net increase in cash and cash equivalents	190,474	27,672
Cash and cash equivalents at beginning of year	8,072,905	8,045,233
Cash and cash equivalents at end of year	$ 8,263,379	$ 8,072,905

See accompanying notes.

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 $8,485,838 and $8,254,241 as of December 31, 2016 and 2015, 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.

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, 2016 or 2015.

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.

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.

2. Summary of Significant Accounting Policies (Continued)

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 2016 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 0.09% 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.

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. Purchases and sales are recorded on a trade date 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.

2. Summary of Significant Accounting Policies (Continued)

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.

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, 2016 or 2015.

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, 2016 or 2015.

2. Summary of Significant Accounting Policies (Continued)

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 supplies, 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.

Grants Payable

Grant awards are recorded when approved by the Foundation and the payment of such grant is unconditional.

Income Beneficiaries Payable

The Foundation has recorded a liability for the amount due to income beneficiaries of 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, 2016 and 2015.

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.

The agency fund is reported by the Foundation as an asset on its consolidated statement of financial 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.

2. Summary of Significant Accounting Policies (Continued)

Income Taxes

MaineCF and its supporting organization, Maine Community Supporting Foundation, 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 and the Vincent B. and Barbara G. Welch Supporting Organization are exempt from federal income taxes under Section 501(a) of the Code.

MaineCF pays unrelated business income taxes on income from certain types of transactions within investment partnerships. In 2016, a real estate development company in which the Foundation had a general partnership interest was sold resulting in approximately $426,000 in unrelated business income taxes for the year.

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.

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 2013.

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 and accounts payable approximate their fair values.

There is no market for impact investments and fair value is not determinable. The Foundation carries impact investments 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.

2. Summary of Significant Accounting Policies (Continued)

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.
>
> 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.

New Accounting Pronouncement

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or its Equivalent)*. This pronouncement removes the requirements to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient and certain disclosure requirements. ASU 2015-07 is effective for the Foundation on January 1, 2017, with early adoption permitted. ASU 2015-07 will be applied retrospectively to all periods presented. The Foundation is evaluating the effect that ASU 2015-07 will have on its financial statements and related disclosures.

2. Summary of Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU No. 2016-02 *Leases* (*Topic 842*) (ASU 2016-02). Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. ASU 2016-02 is effective for the Foundation on January 1, 2020, with early adoption permitted. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. The Foundation is currently evaluating the impact of the pending adoption of ASU 2016-02 on the consolidated financial statements but does not expect significant changes as a result of adoption.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities (Topic 958)* (ASU 2016-14). Under ASU 2016-14, the existing three-category classification of net assets (i.e., unrestricted, temporarily restricted and permanently restricted) will be replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions". ASU 2016-14 also enhances certain disclosures regarding board designations, donor restrictions and qualitative information regarding management of liquid resources. In addition to reporting expenses by functional classifications, ASU 2016-14 will also require the consolidated financial statements to provide information about expenses by their nature, along with enhanced disclosures about the methods used to allocate costs among program and support functions. ASU 2016-14 is effective for the Foundation beginning on January 1, 2018, with early adoption permitted. The Foundation is currently evaluating the impact of the pending adoption of ASU 2016-14 on the consolidated financial statements.

Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation.

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 September 11, 2017 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, 2016 and 2015:

3. Investments (Continued)

2016 Investment Hierarchy and Liquidity

	Level 1	Level 2	Level 3	Total	Liquidity: 5 Days or Less	Liquidity: Semi-Monthly to Semi-Annual	Liquidity: Greater Than Semi-Annual
Marketable equities:							
U.S. equities	$ 69,034,981	$ 26,691,041	$ –	$ 95,726,022	$ 70,190,089	$ 25,535,933	$ –
Non-U.S. developed markets	10,084,612	55,892,189	1,823,327	67,800,128	10,041,670	45,551,858	12,206,600
Emerging markets	1,940,463	20,489,422	7,327,616	29,757,501	1,940,463	23,417,219	4,399,819
Other	–	–	9,522	9,522	–	9,522	–
Total marketable equities	81,060,056	103,072,652	9,160,465	193,293,173	82,172,222	94,514,532	16,606,419
Marketable alternatives:							
Multi-strategy	–	–	76,855,537	76,855,537	–	47,525,701	29,329,836
Distressed debt	–	–	18,687,106	18,687,106	–	16,925,693	1,761,413
Long/short equities	–	–	18,462,966	18,462,966	–	5,367,782	13,095,184
Global equities	–	–	7,351,053	7,351,053	–	–	7,351,053
Total marketable alternatives	–	–	121,356,662	121,356,662	–	69,819,176	51,537,486
Private equity and venture capital	–	–	25,971,061	25,971,061	–	–	25,971,061
Real assets:							
Real estate	–	–	5,697,738	5,697,738	–	–	5,697,738
Timber	–	48,171	1,283,820	1,331,991	48,171	–	1,283,820
Energy	–	3,612,819	9,496,930	13,109,749	3,612,819	–	9,496,930
Mining	–	569,293	1,719,372	2,288,665	569,293	–	1,719,372
Commodities	–	3,389,167	–	3,389,167	3,389,167	–	–
Other	–	148,892	226,451	375,343	148,892	–	226,451
Total real estate	–	7,768,342	18,424,311	26,192,653	7,768,342	–	18,424,311
Fixed income:							
U.S. Treasuries and Agency bonds	853,719	22,331,689	–	23,185,408	23,185,408	–	–
U.S. TIPs	5,162,888	–	–	5,162,888	5,162,888	–	–
Certificates of deposit – FDIC insured	1,095,980	–	–	1,095,980	1,095,980	–	–
Other	701,351	–	–	701,351	696,762	4,589	–
Total fixed income	7,813,938	22,331,689	–	30,145,627	30,141,038	4,589	–
Cash and cash equivalents:							
Cash – FDIC insured	27,731,783	–	–	27,731,783	27,731,783	–	–
Money market funds	11,640,089	–	–	11,640,089	11,606,653	33,436	–
Total cash	39,371,872	–	–	39,371,872	39,338,436	33,436	–
Total investments	$ 128,245,866	$ 133,172,683	$ 174,912,499	$ 436,331,048	$ 159,420,038	$ 164,371,733	$ 112,539,277

3. Investments (Continued)

2015 Investment Hierarchy and Liquidity

	Level 1	Level 2	Level 3	Total	Liquidity: 5 Days or Less	Liquidity: Semi-Monthly to Semi-Annual	Liquidity: Greater Than Semi-Annual
Marketable equities:							
U.S. equities	$ 59,692,121	$ 37,792,931	$ –	$ 97,485,052	$ 72,493,312	$ 24,991,740	$ –
Non-U.S. developed markets	9,787,798	44,243,625	1,687,258	55,718,681	9,653,484	35,641,547	10,423,650
Emerging markets	1,865,362	18,958,265	6,812,782	27,636,409	1,865,362	21,597,310	4,173,737
Total marketable equities	71,345,281	100,994,821	8,500,040	180,840,142	84,012,158	82,230,597	14,597,387
Marketable alternatives:							
Multi-strategy	–	–	66,528,407	66,528,407	–	43,228,941	23,299,466
Distressed debt	–	–	10,914,785	10,914,785	–	10,575,245	339,540
Long/short equities	–	–	15,425,017	15,425,017	–	5,650,552	9,774,465
Global equities	–	–	7,307,482	7,307,482	–	–	7,307,482
Total marketable alternatives	–	–	100,175,691	100,175,691	–	59,454,738	40,720,953
Private equity and venture capital	–	–	24,681,271	24,681,271	–	–	24,681,271
Real assets:							
Real estate	–	–	6,709,840	6,709,840	–	–	6,709,840
Timber	–	36,909	1,403,259	1,440,168	36,909	–	1,403,259
Energy	–	2,828,539	6,870,110	9,698,649	2,828,539	–	6,870,110
Mining	–	372,441	1,183,843	1,556,284	372,441	–	1,183,843
Commodities	–	3,050,571	–	3,050,571	3,050,571	–	–
Other	–	117,436	96,922	214,358	117,436	–	96,922
Total real estate	–	6,405,896	16,263,974	22,669,870	6,405,896	–	16,263,974
Fixed income:							
U.S. Treasuries and Agency bonds	343,558	22,122,890	–	22,466,448	22,442,746	23,702	–
U.S. TIPs	4,919,712	–	–	4,919,712	4,919,712	–	–
Certificates of deposit – FDIC insured	1,333,708	–	–	1,333,708	1,333,708	–	–
Other	1,635,150	–	–	1,635,150	1,630,963	4,187	–
Total fixed income	8,232,128	22,122,890	–	30,355,018	30,327,129	27,889	–
Cash and cash equivalents:							
Cash – FDIC insured	25,235,423	–	–	25,235,423	25,235,423	–	–
Money market funds	9,967,162	665,017	–	10,632,179	9,967,162	665,017	–
Total cash	35,202,585	665,017	–	35,867,602	35,202,585	665,017	–
Total investments	$ 114,779,994	$ 130,188,624	$ 149,620,976	$ 394,589,594	$ 155,947,768	$ 142,378,241	$ 96,263,585

3. Investments (Continued)

For the year ended December 31, 2016, 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 years ended December 31, 2016 and 2015 for investments classified as Level 3:

	Non-U.S. Developed and Emerging Markets	Marketable Alternatives	Private Equity and Venture Capital	Real Assets	Total
2016					
Beginning balance	$ 8,500,040	$ 100,175,691	$24,681,271	$16,263,974	$ 149,620,976
Total investment return, net of investment manager fees (realized, unrealized, interest and dividend income) recognized in statement of activities	660,425	9,898,936	482,001	2,489,595	13,530,957
Purchases and capital calls	–	12,512,241	3,025,805	2,750,458	18,288,504
Sales	–	(12,174)	(4,886)	–	(17,060)
Distributions	–	(1,218,032)	(2,213,130)	(3,079,716)	(6,510,878)
Ending balance	$ 9,160,465	$ 121,356,662	$25,971,061	$18,424,311	$ 174,912,499
Amount of total gains or losses for the period attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	$ 442,199	$ 6,412,920	$ (177,105)	$ 1,870,443	$ 8,548,458
2015					
Beginning balance	$ –	$ 92,675,233	$22,865,122	$17,695,356	$ 133,235,711
Total investment return, net of investment manager fees (realized, unrealized, interest and dividend income) recognized in statement of activities	(1,499,960)	(514,249)	2,730,058	(235,014)	480,835
Purchases and capital calls	10,000,000	13,984,406	2,967,698	2,353,911	29,306,015
Sales	–	(5,541,314)	(11,360)	–	(5,552,674)
Distributions	–	(428,385)	(3,870,247)	(3,550,279)	(7,848,911)
Ending balance	$ 8,500,040	$ 100,175,691	$24,681,271	$16,263,974	$ 149,620,976

3. Investments (Continued)

Amount of total gains or losses for the period attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	$ (1,720,895)	$ (2,320,094)	$ 248,188	$ (1,715,381)	$ (5,508,182)

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 objective 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 Capital 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, or fund-of-funds 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.

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:

	Fair Value		Redemption
	2016	2015	Notice Period
5 days or less	$159,420,038	$ 155,947,768	1-5 Days
Semi-monthly	11,808,498	14,955,118	2-5 Days
Monthly	25,250,068	23,284,568	30 Days
Quarterly	25,843,704	13,822,793	20-30 Days
Quarterly	36,997,421	34,545,457	60-65 Days
Quarterly	5,041,460	–	70-75 Days
Semi-annual	32,764,033	31,971,967	30 Days
Semi-annual	26,666,549	23,798,338	60 Days
1-5 years	58,134,119	50,115,638	
Total liquid investments	381,925,890	348,441,647	
Illiquid	54,405,158	46,147,947	
	$436,331,048	$ 394,589,594	

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 2017 to 2027.

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, 2016:

Investment	Fair Value	Unfunded Commit-ment	Redemp-tion Frequency	Redemption Notice Period
Global Equity Funds/non U.S. development markets	$11,808,498	$ –	Semi-monthly	2 days
Global Equity Funds/non U.S. development markets	1,823,327	–	Monthly	10 days
Global Equity Funds/ emerging markets	20,489,422	–	Monthly	30 days
Global Equity Funds/ emerging markets	2,927,797	–	Monthly	10 days
Global Equity Funds/ emerging markets	4,399,819	–	1-5 years	95 days
U.S. Equity Fund	1,401,942	–	Daily	2 days
Non-U.S. developed markets	12,218,671	–	Quarterly	30 days
Non-U.S. developed markets	12,206,600	–	1-5 Years[3]	90 days
Alternative investments:				
Marketable alternatives	4,254,035	–	Quarterly	65 days prior notice
Marketable alternatives	4,632,814	–	1-5 Years	90 days
Marketable alternatives	26,666,548	–	Semi-annually	60 days notice; 20% limit
Marketable alternatives	3,151,429	–	1-5 Years[2]	60 days
Marketable alternatives	4,500,096	–	1-5 Years	60 days
Marketable alternatives	5,041,460	–	Quarterly[1]	75 days
Real Asset Fund	7,768,342	–	Daily	2 days
Fixed Income	22,331,689	–	Daily	2 days

[1] After an initial one year lockout period
[2] After an initial two year lockout period
[3] After an initial three year lockout period

3. Investments (Continued)

Investment Income

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

	2016	2015
Interest and dividend income	$ 3,000,453	$ 1,888,667
Net realized and unrealized gains (losses)	31,753,184	(4,101,091)
Return on investments	$34,753,637	$(2,212,424)

The Foundation has an investment in six indexed products held in a common trust at a single institution which represents 10% and 12% of total investments at December 31, 2016 and 2015, respectively.

Commitments

Private equity, venture capital, real estate, natural resource and distressed opportunities 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:

	Number of Funds With Commitments	Range of Years of First Commitment	2016	2015
Private equity and venture capital	18	2001 - 2016	$19,119,615	$ 9,206,455
Real estate	7	2005 - 2012	891,382	1,469,339
Natural resources	9	2005 - 2015	8,436,000	10,608,500
Distressed opportunities	3	2011 - 2015	8,728,540	13,381,255
Total unfunded commitments			$37,175,537	$34,665,549

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.

3. Investments (Continued)

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

For the years ended December 31, 2016 and 2015, 18% and 26% of contributions were made from one source, respectively.

One significant source of the contributions is from a single trust in the form of a $7,390,000 contribution receivable to a donor advised fund that was received in June 2017.

5. Impact Investments

Impact investments are intended to generate targeted social benefit and have less than market return. As of December 31, 2016, seven unsecured loans are maturing from 2017 through 2024 with interest rates of 2%.

The Foundation has established two impact investment portfolios to focus on Farms, Fishing & Food and Downtown & Business Development. The capital in both portfolios comes from Foundation donors who have expressed an interest to participate in these efforts. The amounts shown below include cash that is expected to be deployed within the next twelve months. The balances in the respective portfolios as of December 31, 2016 and 2015 are as follows:

	2016	2015
Farms, Fisheries & Food portfolio:		
Cash	$ 807,029	$ 434,382
Loans receivable	1,401,512	1,633,333
	2,208,541	2,067,715
Downtown & Business Development portfolio:		
Cash	185,453	175,032
Loans receivable	1,510,781	750,000
	1,696,234	925,032
	$3,904,775	$2,992,747

6. Property and Equipment

Property and equipment consists of the following at December 31:

	2016	2015
Building and building improvements	$ 681,012	$ 681,012
Land	71,000	71,000
Furniture and office equipment	184,345	107,847
Computer equipment	36,547	36,547
Vehicles	51,568	51,568
Art	9,409	4,500
	1,033,881	952,474
Less accumulated depreciation	(451,333)	(413,511)
	$ 582,548	$ 538,963

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*

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, 2016 or 2015.

7. Net Assets (Continued)

As of December 31, 2016, the Foundation holds approximately 1,738 funds with total assets of nearly $458 million. The gift instruments on 601 of the funds with total assets of about $134 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 601 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 year ended December 31, 2015, 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 $3,831 to close out a fund by granting the balance to the designated organization.

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 2016 and 2015:

	2016	2015
Number of funds	601	584
Balance at January 1	$ 125,191,654	$ 126,736,071
Adjustments resulting from donor requested changes	164,053	1,158,700
Adjusted balance at January 1	125,355,707	127,894,771
Contributions	5,678,065	4,519,399
Interest and dividend income	692,961	585,331
Net realized and unrealized gains (losses) on investments	8,547,814	(1,619,629)
Grants and other expenditures	(4,365,901)	(4,724,711)
Restrictions released	(108,299)	(31,862)
Administrative fees	(1,475,606)	(1,431,645)
Balance at December 31	$ 134,324,741	$ 125,191,654

There are 19 and 71 individual Board-Designated Endowment Funds that are below their Historic Gift Value as of December 31, 2016 and 2015, respectively. The aggregate amount below the Historic Gift Value is $157,000 and $522,000 on a total Historic Gift Value in excess of $2.8 million and $18.8 million at December 31, 2016 and 2015, respectively.

7. Net Assets (Continued)

Temporarily Restricted Net Assets

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

	2016	2015
Contributions receivable	$ 7,848,233	$17,781,626
Remainder interest from split-interest agreements and bequests	2,075,246	2,796,493
Life insurance	153,118	147,986
Total temporarily restricted net assets	$10,076,597	$20,726,105

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 a geographic location, 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.

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. 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 2016 and 2015 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 2016 and 2015 were $205,640 and $208,877, 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. At December 31, 2016 and 2015, $0 and $60,000 was accrued for this obligation. Total compensation including deferred compensation is evaluated and approved annually by the board. The discretionary plan was not used in 2016.

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, 2016, approximately $4.6 million of the Foundation's cash and cash equivalent balances were held in uninsured money market funds at an AA+ (Standard & Poor's) credit rated financial institution.

10. Grants Payable

Grants payable as of December 31, 2016 and 2015 includes an unconditional grant in the amount of $6,000,000 and $10,000,000, respectively, to a charitable organization to support farmland protection projects, farm viability programs and other aspects of "Future of Farming" projects. As of December 31, 2016, the remaining grant payable is expected to be paid over 3 years in 3 equal payments of $2,000,000.