

NATURAL RESOURCES COUNCIL OF MAINE

FINANCIAL STATEMENTS

March 31, 2010 and 2009

With Independent Auditors' Report



INDEPENDENT AUDITORS' REPORT

Board of Directors
Natural Resources Council of Maine

We have audited the accompanying statements of financial position of Natural Resources Council of Maine (the Council) as of March 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Natural Resources Council of Maine as of March 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Berry, Dunn, McNeil & Parker

Bangor, Maine
July 13, 2010

NATURAL RESOURCES COUNCIL OF MAINE

Statements of Financial Position

March 31, 2010 and 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Cash	\$ 734,498	\$ 490,997
Accounts receivable	12,105	15,920
Inventory	6,972	7,901
Prepaid expenses	23,877	13,075
Contributions and grants receivable	77,860	148,470
Property and equipment, net of accumulated depreciation	697,915	695,364
Gifts of future interests	92,188	93,179
Investments	<u>4,240,595</u>	<u>3,290,359</u>
Total assets	<u>\$ 5,886,010</u>	<u>\$ 4,755,265</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 141,145	\$ 126,903
Deferred revenue	14,275	19,232
Lease payable	18,164	-
Gift annuities payable	<u>25,596</u>	<u>8,663</u>
Total liabilities	<u>199,180</u>	<u>154,798</u>
Commitments (Notes 10 and 11)		
Net assets		
Unrestricted		
Board-designated	4,047,320	3,435,114
Undesignated	<u>1,325,761</u>	<u>865,324</u>
Total unrestricted	5,373,081	4,300,438
Temporarily restricted	128,749	115,029
Permanently restricted	<u>185,000</u>	<u>185,000</u>
Total net assets	<u>5,686,830</u>	<u>4,600,467</u>
Total liabilities and net assets	<u>\$ 5,886,010</u>	<u>\$ 4,755,265</u>

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

NATURAL RESOURCES COUNCIL OF MAINE

Statement of Activities

Year Ended March 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenue, gains and other support				
Membership and major donors	\$ 1,301,624	\$ 126,734	\$ -	\$ 1,428,358
Foundations	101,470	408,737	-	510,207
Miscellaneous income	22,159	66	-	22,225
Donated services	12,853	103,191	-	116,044
Investment appropriation withdrawn for operations	206,564	-	-	206,564
Net assets released from restrictions	<u>624,017</u>	<u>(624,017)</u>	<u>-</u>	<u>-</u>
Total operating revenue, gains and other support	<u>2,268,687</u>	<u>14,711</u>	<u>-</u>	<u>2,283,398</u>
Operating expenses				
Clean air and energy	267,063	-	-	267,063
Toxics and pollution prevention	91,559	-	-	91,559
Northwoods	182,985	-	-	182,985
Watersheds	166,114	-	-	166,114
Lobbying	42,066	-	-	42,066
General advocacy	214,970	-	-	214,970
Communications	507,196	-	-	507,196
Management and general	126,505	-	-	126,505
Development and fundraising	<u>404,136</u>	<u>-</u>	<u>-</u>	<u>404,136</u>
Total operating expenses	<u>2,002,594</u>	<u>-</u>	<u>-</u>	<u>2,002,594</u>
Net operating income	<u>266,093</u>	<u>14,711</u>	<u>-</u>	<u>280,804</u>
Non-operating income (expense)				
Contributions board-designated for endowment	48,920	-	-	48,920
Change in value of gift annuities	(20,924)	-	-	(20,924)
Change in value of gifts of future interests	-	(991)	-	(991)
Investment income withdrawn for capital and other non-operating projects	30,000	-	-	30,000
Net investment gain greater than withdrawals for operations, capital and other non-operating projects	<u>748,554</u>	<u>-</u>	<u>-</u>	<u>748,554</u>
Net non-operating income (loss)	<u>806,550</u>	<u>(991)</u>	<u>-</u>	<u>805,559</u>
Change in net assets	1,072,643	13,720	-	1,086,363
Net assets, beginning of year	<u>4,300,438</u>	<u>115,029</u>	<u>185,000</u>	<u>4,600,467</u>
Net assets, end of year	<u>\$ 5,373,081</u>	<u>\$ 128,749</u>	<u>\$ 185,000</u>	<u>\$ 5,686,830</u>

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

NATURAL RESOURCES COUNCIL OF MAINE

Statement of Activities

Year Ended March 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenue, gains and other support				
Membership and major donors	\$ 953,079	\$ 65,931	\$ -	\$ 1,019,010
Foundations	383,225	490,109	-	873,334
Miscellaneous income	24,578	-	-	24,578
Donated services	-	120,646	-	120,646
Investment appropriation withdrawn for operations	242,000	-	-	242,000
Net assets released from restrictions	<u>779,868</u>	<u>(779,868)</u>	<u>-</u>	<u>-</u>
Total operating revenue, gains and other support	<u>2,382,750</u>	<u>(103,182)</u>	<u>-</u>	<u>2,279,568</u>
Operating expenses				
Clean air and energy	265,723	-	-	265,723
Toxics and pollution prevention	93,418	-	-	93,418
Northwoods	317,471	-	-	317,471
Watersheds	177,813	-	-	177,813
Lobbying	30,060	-	-	30,060
General advocacy	293,848	-	-	293,848
Communications	494,211	-	-	494,211
Management and general	217,694	-	-	217,694
Development and fundraising	<u>520,300</u>	<u>-</u>	<u>-</u>	<u>520,300</u>
Total operating expenses	<u>2,410,538</u>	<u>-</u>	<u>-</u>	<u>2,410,538</u>
Net operating loss	<u>(27,788)</u>	<u>(103,182)</u>	<u>-</u>	<u>(130,970)</u>
Non-operating income (expense)				
Capital campaign contributions	-	12,000	-	12,000
Capital campaign expenses	(66,685)	-	-	(66,685)
Net assets released from restrictions for capital campaign	12,000	(12,000)	-	-
Contributions board-designated for endowment	152,763	-	-	152,763
Change in value of gifts of future interests	-	(34,367)	-	(34,367)
Investment income withdrawn for capital and other non-operating projects	64,000	-	-	64,000
Net investment loss greater than withdrawals for operations, capital and other non- operating projects	<u>(1,658,761)</u>	<u>-</u>	<u>-</u>	<u>(1,658,761)</u>
Net non-operating loss	<u>(1,496,683)</u>	<u>(34,367)</u>	<u>-</u>	<u>(1,531,050)</u>
Change in net assets	(1,524,471)	(137,549)	-	(1,662,020)
Net assets, beginning of year	<u>5,824,909</u>	<u>252,578</u>	<u>185,000</u>	<u>6,262,487</u>
Net assets, end of year	<u>\$ 4,300,438</u>	<u>\$ 115,029</u>	<u>\$ 185,000</u>	<u>\$ 4,600,467</u>

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

NATURAL RESOURCES COUNCIL OF MAINE

Statement of Functional Expenses

Year Ended March 31, 2010

	<u>Clean Air and Energy</u>	<u>Toxics and Pollution Prevention</u>	<u>Northwoods</u>	<u>Watersheds</u>	<u>Lobbying</u>	<u>General Advocacy</u>	<u>Communi- cations</u>	<u>Total Programs</u>	<u>Allocated Overhead</u>	<u>Management and General</u>	<u>Development and Fundraising</u>	<u>Total Expenses</u>
Personnel												
Personnel cost	\$ 163,736	\$ 55,261	\$ 106,021	\$ 51,005	\$ 25,280	\$ 112,519	\$ 256,336	\$ 770,158	\$ 127,000	\$ 23,184	\$ 203,596	\$ 1,123,938
Payroll taxes and employee benefits	33,355	11,307	21,646	10,447	5,507	23,348	52,466	158,076	28,557	17,475	41,768	245,876
Professional services	<u>1,800</u>	<u>882</u>	<u>15,628</u>	<u>88,606</u>	<u>10,000</u>	<u>1,355</u>	<u>21,957</u>	<u>140,228</u>	<u>35,518</u>	<u>12,954</u>	<u>5,874</u>	<u>194,574</u>
Total personnel	198,891	67,450	143,295	150,058	40,787	137,222	330,759	1,068,462	191,075	53,613	251,238	1,564,388
Other expenses												
Telephone	2,120	1,384	1,743	443	322	1,319	2,208	9,539	-	409	1,724	11,672
Advertising	-	-	-	-	-	-	17,712	17,712	-	-	100	17,812
Postage	2,027	702	366	199	-	6,935	22,105	32,334	-	(2,446)	30,076	59,964
Printing	1,839	253	61	1	-	9,205	17,879	29,238	-	390	29,767	59,395
Travel	4,030	1,621	2,686	1,635	942	1,710	3,696	16,320	-	371	2,222	18,913
Conferences and meetings	3,138	2,720	408	42	-	1,444	16,435	24,187	-	1,450	3,593	29,230
Subscriptions and dues	299	3	228	-	-	3,654	1,554	5,738	-	1,753	3,145	10,636
Occupancy	-	-	-	-	-	-	-	-	46,301	-	-	46,301
Insurance	-	-	-	-	-	-	-	-	9,958	-	-	9,958
Equipment maintenance	-	-	-	-	-	10,961	10,885	21,846	37,499	-	7,836	67,181
Depreciation	-	-	-	-	-	-	-	-	56,763	-	-	56,763
Bank charges	-	-	-	-	-	-	-	-	-	3,292	-	3,292
Supplies	64	216	38	72	15	313	7,693	8,411	-	11,638	3,966	24,015
Cost of goods sold	-	-	-	-	-	-	1,088	1,088	-	-	-	1,088
Lists	-	-	-	-	-	4,179	-	4,179	-	-	9,578	13,757
Allocated overhead	54,655	17,080	34,160	13,664	-	37,576	75,151	232,286	(341,596)	54,655	54,655	-
Miscellaneous	<u>-</u>	<u>130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>452</u>	<u>31</u>	<u>613</u>	<u>-</u>	<u>1,380</u>	<u>6,236</u>	<u>8,229</u>
Total other expenses	<u>68,172</u>	<u>24,109</u>	<u>39,690</u>	<u>16,056</u>	<u>1,279</u>	<u>77,748</u>	<u>176,437</u>	<u>403,491</u>	<u>(191,075)</u>	<u>72,892</u>	<u>152,898</u>	<u>438,206</u>
Total expenses	<u>\$ 267,063</u>	<u>\$ 91,559</u>	<u>\$ 182,985</u>	<u>\$ 166,114</u>	<u>\$ 42,066</u>	<u>\$ 214,970</u>	<u>\$ 507,196</u>	<u>\$ 1,471,953</u>	<u>\$ -</u>	<u>\$ 126,505</u>	<u>\$ 404,136</u>	<u>\$ 2,002,594</u>

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

NATURAL RESOURCES COUNCIL OF MAINE

Statement of Functional Expenses

Year Ended March 31, 2009

	Clean Air and Energy	Toxics and Pollution Prevention	Northwoods	Watersheds	Lobbying	General Advocacy	Communi- cations	Total Programs	Management and General	Development and Fundraising	Development and Fundraising - Capital Campaign	Total Expenses
Personnel												
Personnel cost	\$ 139,279	\$ 52,452	\$ 141,995	\$ 51,333	\$ 12,643	\$ 147,858	\$ 203,650	\$ 749,210	\$ 233,161	\$ 248,267	\$ 426	\$ 1,231,064
Payroll taxes and employee benefits	41,100	15,737	42,599	15,401	3,793	45,016	61,094	224,740	74,414	74,814	128	374,096
Professional services	<u>13,267</u>	<u>541</u>	<u>45,674</u>	<u>92,908</u>	<u>12,800</u>	<u>1,255</u>	<u>59,908</u>	<u>226,353</u>	<u>46,100</u>	<u>1,309</u>	<u>63,897</u>	<u>337,659</u>
Total personnel	193,646	68,730	230,268	159,642	29,236	194,129	324,652	1,200,303	353,675	324,390	64,451	1,942,819
Other expenses												
Telephone	2,115	904	5,481	652	152	1,956	2,379	13,639	2,555	3,215	1	19,410
Advertising	-	-	-	-	-	-	20,141	20,141	-	-	-	20,141
Postage	1,193	368	2,101	27	-	6,065	20,792	30,546	4,515	35,660	23	70,744
Printing	12,304	4,646	19,827	383	-	8,411	32,579	78,150	969	32,230	2,058	113,407
Travel	6,629	1,147	6,523	1,210	72	1,052	5,112	21,745	306	1,783	-	23,834
Conferences and meetings	9,061	241	2,455	199	-	6,374	7,807	26,137	2,609	2,549	41	31,336
Subscriptions and dues	238	141	261	2	600	3,187	1,890	6,319	2,192	2,942	-	11,453
Occupancy	-	-	-	-	-	-	-	-	40,419	-	-	40,419
Insurance	-	-	-	-	-	-	-	-	3,860	-	-	3,860
Equipment maintenance	-	-	-	-	-	11,179	11,179	22,358	33,579	8,833	-	64,770
Depreciation	-	-	-	-	-	-	-	-	62,040	-	-	62,040
Bank charges	-	-	-	-	-	-	-	-	193	-	-	193
Supplies	848	27	1,447	87	-	477	4,450	7,336	32,629	7,965	111	48,041
Cost of goods sold	-	-	-	-	-	-	1,712	1,712	-	294	-	2,006
Lists	-	-	-	-	-	2,614	-	2,614	-	8,249	-	10,863
Allocated overhead	39,689	17,214	49,048	15,597	-	57,166	61,490	240,204	(323,517)	83,313	-	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>60</u>	<u>14</u>	<u>-</u>	<u>1,238</u>	<u>28</u>	<u>1,340</u>	<u>1,670</u>	<u>8,877</u>	<u>-</u>	<u>11,887</u>
Total other expenses	<u>72,077</u>	<u>24,688</u>	<u>87,203</u>	<u>18,171</u>	<u>824</u>	<u>99,719</u>	<u>169,559</u>	<u>472,241</u>	<u>(135,981)</u>	<u>195,910</u>	<u>2,234</u>	<u>534,404</u>
Total expenses	<u>\$ 265,723</u>	<u>\$ 93,418</u>	<u>\$ 317,471</u>	<u>\$ 177,813</u>	<u>\$ 30,060</u>	<u>\$ 293,848</u>	<u>\$ 494,211</u>	<u>\$ 1,672,544</u>	<u>\$ 217,694</u>	<u>\$ 520,300</u>	<u>\$ 66,685</u>	<u>\$ 2,477,223</u>

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

NATURAL RESOURCES COUNCIL OF MAINE

Statements of Cash Flows

Years Ended March 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets	\$ 1,086,363	\$ (1,662,020)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	56,763	62,040
Net realized and unrealized (gain) loss on investments	(924,112)	1,441,883
Decrease in gifts of future interests	991	34,367
Decrease (increase) in		
Accounts receivable	3,815	(11,821)
Inventory	929	1,991
Prepaid expenses	(10,802)	(2,837)
Contributions and grants receivable	70,610	(26,569)
Increase (decrease) in		
Accounts payable and accrued expenses	14,242	(13,293)
Deferred revenue	(4,957)	(54,329)
Gift annuities payable	16,933	-
	<u>310,775</u>	<u>(230,588)</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities		
Purchases of investments	(1,542,732)	(1,979,303)
Proceeds from sale of investments	1,516,608	2,181,063
Purchase of property and equipment	(38,738)	(32,090)
Reduction in due to Penobscot River Restoration Trust	<u>-</u>	<u>(20,000)</u>
	<u>(64,862)</u>	<u>149,670</u>
Net cash provided (used) by investing activities		
Cash flows from financing activities		
Principal payments on lease payable	<u>(2,412)</u>	<u>(9,649)</u>
	243,501	(90,567)
Net increase (decrease) in cash		
Cash, beginning of year	<u>490,997</u>	<u>581,564</u>
Cash, end of year	<u>\$ 734,498</u>	<u>\$ 490,997</u>
Supplemental disclosures		
Cash paid for interest	\$ -	\$ 300
Noncash transaction - acquisition of software in exchange for lease payable	20,576	-

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

NATURAL RESOURCES COUNCIL OF MAINE

Notes to Financial Statements

March 31, 2010 and 2009

Purpose of the Organization and Nature of Activities

Natural Resources Council of Maine (the Council) is organized as a non-profit corporation to protect, restore, and conserve Maine's environment, now and for future generations. The Council works to improve the quality of Maine's rivers; to reduce toxic chemicals threatening the health of Maine families and wildlife; to decrease air and global warming pollution; and to conserve Maine lands. The Council harnesses the power of the law, science, and the voices of supporters statewide and beyond. Corporate offices are located in Augusta, Maine.

Following is a summary of the Council's activities:

Clean Air and Energy

Clean air is essential for healthy, happy lives. Clean, renewable energy helps ensure clean air. The Council works hard for policies and initiatives that will improve Maine's air quality and reduce global warming pollution throughout the state and region.

Toxics and Pollution Prevention

The Council is committed to protecting Maine's people, wildlife, and environment from toxic pollution and dedicated to promoting clean, sustainable industrial practices in Maine and around the nation. The Council supports economic development and job creation through green chemistry, product stewardship and sustainable manufacturing.

Northwoods

The Council works to protect Maine's natural areas and wild, undeveloped character, particularly in the North Woods. The Council supports responsible land development and sustainable forest practices that protect sensitive ecosystems and wildlife. The Council works for increased public ownership of Maine lands, so future generations will know the Maine we love today.

Watersheds

Clean, healthy waterways are vital to our day-to-day lives, from the water we drink to the recreational opportunities for which Maine is known and loved. The Council is working hard to protect and restore Maine's lakes, rivers, and streams, now and for generations to come.

NATURAL RESOURCES COUNCIL OF MAINE

Notes to Financial Statements

March 31, 2010 and 2009

1. Summary of Significant Accounting Policies

Recently Issued Accounting Standards

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB Accounting Standards Codification (ASC) Topic 105, *Generally Accepted Accounting Principles*, which establishes the ASC as the sole source of authoritative generally accepted accounting principles (GAAP). Pursuant to the provisions of ASC Topic 105, the Council has updated references to GAAP in its financial statements issued for the year ended March 31, 2010. The adoption of ASC Topic 105 did not impact the Council's financial position or results of operations.

Use of Estimates

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

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified as follows based on the existence or absence of donor-imposed restrictions as indicated below:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Council and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Council. The donors of these assets permit the Council to use the income earned on related investments for general purposes.

Income Taxes

The Internal Revenue Service has determined that the Council is exempt from taxation under Internal Revenue Code Section 501(c)(3) and, accordingly, no provision for income taxes has been reflected in these financial statements.

NATURAL RESOURCES COUNCIL OF MAINE

Notes to Financial Statements

March 31, 2010 and 2009

Definition of Operations

The statement of activities includes net operating income (loss). Changes in net assets which are excluded from net operating income (loss) include net investment gains (losses) greater than withdrawals for operations, capital campaign contributions and expenses, contributions board-designated for endowment and changes in value of gifts of future interests.

Cash on Deposit

The Council maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Council has not experienced any losses in such accounts. The Council believes it is not exposed to any significant risk with respect to these accounts.

Accounts, Contributions and Grants Receivable

Accounts, contributions and grants receivable are stated at the amount management expects to collect. The Council considers these receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made.

Credit is extended at regular terms without collateral.

Inventory

Inventory is stated at cost and consists of logo items held for resale or to be distributed at public relations events.

Property and Equipment

Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Council reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment is depreciated using the straight-line method over its estimated useful life. It is the Council's policy to capitalize assets with a cost exceeding \$1,000 and a useful life of more than one year.

NATURAL RESOURCES COUNCIL OF MAINE

Notes to Financial Statements

March 31, 2010 and 2009

Lease Payable

The Council has entered into an agreement to lease software for \$572 per month through December 2012. The cost of the software has been capitalized in property and equipment and is being amortized over its estimated useful life.

Investments

Investments are carried at fair value. Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in value in the near term would materially affect the amounts reported in the statements of financial position and activities.

Contributions

The Council reports contributions of cash or other assets, including unconditional promises to give, in the statement of activities when the cash, unconditional promise, or other assets are received. Unconditional promises to give are reported at their net realizable value. Significant noncash contributions are recorded at their fair value at the date of receipt.

The Council reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Services

The Council receives donated professional services, which require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The estimated fair value of the services is recognized as revenue in the statement of activities. Donated services totaling \$116,044 in 2010 and \$120,646 in 2009 consisted of legal services in support of the Watersheds and Northwoods Projects.

NATURAL RESOURCES COUNCIL OF MAINE

Notes to Financial Statements

March 31, 2010 and 2009

Revenue Recognition - Grants

The Council reports revenues from grants when revenues are earned. Grants received are expended under the terms stated in the guidelines of the grant. Grant revenue earned but not yet received is recorded as grants receivable, and funds received but not yet earned are recorded as deferred revenue.

Functional Expenses

The Council allocates its expenses on a functional basis among its various programs. Accordingly, certain costs have been allocated among the programs and supporting services benefited. In 2009, various overhead costs were allocated from management and general to programs and development and fundraising based on total salaries within the respective program and supporting services. In 2010, management allocated these overhead costs based on hours employees spent on the respective program and supporting services.

Reclassification

Certain amounts in the 2009 financial statements have been reclassified to conform to the current year's presentation.

Subsequent Events

For purposes of the preparation of these financial statements in conformity with U.S. generally accepted accounting principles, the Council has considered transactions for events occurring through July 13, 2010, which was the date that the financial statements were available to be issued.

2. Contributions and Grants Receivable

Contributions and grants receivable consist of unconditional promises to give toward toxics and pollution prevention and general operations and are expected to be received as follows:

	<u>2010</u>	<u>2009</u>
Within one year	\$ 33,790	\$ 106,750
Between one and five years	42,584	35,000
More than five years	<u>1,486</u>	<u>6,720</u>
	<u>\$ 77,860</u>	<u>\$ 148,470</u>

These receivables have not been discounted to present value as any discount would not be material.

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March 31, 2010 and 2009

The Council has also been awarded a conditional grant from a private foundation for clean air and energy. The total grant award is for \$300,000, of which \$100,000 was received in 2010 and 2009, respectively. Of the amount awarded, \$104,957 was earned in 2010 and \$154,329 was earned in 2009 and included in temporarily restricted foundation revenue in the statement of activities. Amounts received but not yet earned were \$14,275 at March 31, 2010 and \$19,232 at March 31, 2009 and are included in deferred revenue. Grant funds are conditional upon incurrence of qualifying expenditures and meeting matching requirements in accordance with terms of the grant.

3. Property and Equipment

Property and equipment consists of:

	<u>2010</u>	<u>2009</u>
Land	\$ 107,510	\$ 107,510
Building and improvements	867,384	834,106
Furniture and equipment	<u>302,238</u>	<u>280,720</u>
	1,277,132	1,222,336
Less accumulated depreciation	<u>579,217</u>	<u>526,972</u>
Net property and equipment	<u>\$ 697,915</u>	<u>\$ 695,364</u>

4. Gifts of Future Interests

The Council is a remainder beneficiary of certain charitable remainder unitrusts. Future income streams are valued using a 3.2% and 2.4% discount rate in 2010 and 2009, respectively, and published life expectancy tables for the income beneficiaries. The Council's interest in the principal of these split-interest agreements is reported based on the fair value of the underlying assets, discounted to present value, and was \$92,188 at March 31, 2010 and \$93,179 at March 31, 2009. Decreases in the value of gifts of future interests were \$991 in 2010 and \$34,367 in 2009.

The Council is a remainder beneficiary in another irrevocable trust for which the total market value of the trust could not be determined at March 31, 2010 or 2009. The trust shall terminate upon the last surviving recipient's death. Information necessary to calculate the present value of the estimated future benefits to be received when the trust assets are distributed is not available. Therefore, this unconditional promise to give is not reported as contribution revenue or as a receivable in the accompanying financial statements.

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Notes to Financial Statements

March 31, 2010 and 2009

In prior years, the Council received contributions under charitable gift annuity agreements. The Council is to remit payments to the income beneficiaries in various installments for the remainder of the beneficiaries' lives. The present value of the annuity payment liability was \$25,596 at March 31, 2010 and \$8,663 at March 31, 2009. The original amounts donated under these charitable gift annuity agreements totaled \$50,015 and are included in investments.

5. Investments

Investments at March 31 consist of:

	<u>2010</u>	<u>2009</u>
Cash investments	\$ 187,254	\$ 123,931
Common stock	1,430,987	1,115,135
Equity mutual funds	1,162,746	610,414
Bond mutual funds	<u>1,459,608</u>	<u>1,440,879</u>
 Total investments	 <u>\$ 4,240,595</u>	 <u>\$ 3,290,359</u>

At March 31, 2010, the Council held approximately \$1,023,000 of its total investments in a single bond mutual fund, BNY Mellon Bond Fund Class M Shares (ticker symbol MPBFX). At March 31, 2009, the Council held approximately \$1,441,000 in this bond mutual fund.

The Council adopted a policy to allocate for operations investment earnings on a total return basis equal to 4.5% of the average fair value of the investments over a three-year period. The amount allocated to operations is reflected in the statement of activities as follows:

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 61,006	\$ 89,122
Realized losses	(81,602)	(919,499)
Unrealized gains (losses)	<u>1,005,714</u>	<u>(522,384)</u>
 Total investment gains (losses)	 <u>985,118</u>	 <u>(1,352,761)</u>
 Operating appropriation	 <u>206,564</u>	 <u>242,000</u>
 Capital and other non-operating projects appropriation	 <u>30,000</u>	 <u>64,000</u>
 Investment gain (loss) greater than approved spending policy and approved capital and other non-operating projects	 <u>\$ 748,554</u>	 <u>\$ (1,658,761)</u>

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Notes to Financial Statements

March 31, 2010 and 2009

Interest and dividend income is presented net of investment fees of \$33,608 and \$35,672 for the years ended March 31, 2010 and 2009, respectively.

The primary goal of the investment portfolio is to achieve performance (income and growth) which will keep pace with the Council's spending requirements, expenses, and inflation while limiting investment in firms which are significant environmental polluters. The Council understands the relationship between investment reward and volatility, and accepts the primary use of common stocks to increase the probability of achieving long-term capital appreciation of the endowments. Specifically, the Council directs the endowments to be typically invested 60% and 70% in equity securities and 30% to 40% in high-quality fixed income securities. The Council intends to have no more than ten percent of the investment portfolio in cash or cash equivalents.

The Council has interpreted the State of Maine Uniform Prudent Management of Institutional Funds Act (the Act) which became effective July 1, 2009 as requiring the preservation of the contributed value of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. If the donor-restricted endowment assets earn investment returns beyond these amounts, that excess is available for appropriation and, therefore, classified as temporarily restricted net assets until appropriated by the Board for expenditure. Funds designated by the Board of Directors to function as endowments are classified as unrestricted net assets.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Council to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$17,321 at March 31, 2010 and \$54,487 at March 31, 2009. Future increases in market value will first restore unrestricted net assets to the extent of these prior losses recognized.

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March 31, 2010 and 2009

The endowment net asset composition by type of fund as of March 31, 2010 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ (17,321)	\$ -	\$ 185,000	\$ 167,679
Board-designated endowment funds	<u>4,072,916</u>	<u>-</u>	<u>-</u>	<u>4,072,916</u>
	<u>\$ 4,055,595</u>	<u>\$ -</u>	<u>\$ 185,000</u>	<u>\$ 4,240,595</u>

Changes in endowment net assets for the year ended March 31, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 3,105,359</u>	<u>\$ -</u>	<u>\$ 185,000</u>	<u>\$ 3,290,359</u>
Investment return				
Net investment income	61,006	-	-	61,006
Realized loss on investments	(81,602)	-	-	(81,602)
Net appreciation of investments	<u>1,005,714</u>	<u>-</u>	<u>-</u>	<u>1,005,714</u>
Net investment gain	<u>985,118</u>	<u>-</u>	<u>-</u>	<u>985,118</u>
Additions to endowment assets	201,682	-	-	201,682
Appropriation of endowment assets for expenditure	<u>(236,564)</u>	<u>-</u>	<u>-</u>	<u>(236,564)</u>
Endowment net assets, end of year	<u>\$ 4,055,595</u>	<u>\$ -</u>	<u>\$ 185,000</u>	<u>\$ 4,240,595</u>

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March 31, 2010 and 2009

The endowment net asset composition by type of fund as of March 31, 2009 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ (54,487)	\$ -	\$ 185,000	\$ 130,513
Board-designated endowment funds	<u>3,159,846</u>	<u>-</u>	<u>-</u>	<u>3,159,846</u>
	<u>\$ 3,105,359</u>	<u>\$ -</u>	<u>\$ 185,000</u>	<u>\$ 3,290,359</u>

Changes in endowment net assets for the year ended March 31, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u>4,764,120</u>	\$ <u>-</u>	\$ <u>185,000</u>	\$ <u>4,949,120</u> *
Investment return				
Net investment income	89,122	-	-	89,122
Realized loss on investments	(919,499)	-	-	(919,499)
Net depreciation of investments	<u>(522,384)</u>	<u>-</u>	<u>-</u>	<u>(522,384)</u>
Net investment loss	<u>(1,352,761)</u>	<u>-</u>	<u>-</u>	<u>(1,352,761)</u>
Appropriation of endowment assets for expenditure	<u>(306,000)</u>	<u>-</u>	<u>-</u>	<u>(306,000)</u>
Endowment net assets, end of year	<u>\$ 3,105,359</u>	<u>\$ -</u>	<u>\$ 185,000</u>	<u>\$ 3,290,359</u>

*Total balance includes \$4,934,002 reported as investments on the 2008 statement of financial position and \$15,118 that was reported in cash balances.

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March 31, 2010 and 2009

6. Board-Designated Net Assets

Unrestricted net assets include assets whose use is limited for purposes designated by the Board of Directors as follows:

	<u>2010</u>	<u>2009</u>
Northwoods	\$ -	\$ 24,426
Watersheds	-	107,960
Board-designated endowment	4,072,916	3,311,391
Gift annuities payable	<u>(25,596)</u>	<u>(8,663)</u>
	<u>\$ 4,047,320</u>	<u>\$ 3,435,114</u>

7. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following programs as of March 31:

	<u>2010</u>	<u>2009</u>
Clean air and energy	\$ -	\$ 7,654
Toxics and pollution prevention	36,561	6,547
Watersheds	-	7,649
Gifts of future interests - time restrictions	<u>92,188</u>	<u>93,179</u>
Total temporary restricted net assets	<u>\$ 128,749</u>	<u>\$ 115,029</u>

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Notes to Financial Statements

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8. Net Assets Released From Restrictions

Net assets released from restrictions due to donor-imposed stipulations being met consisted of the following:

	<u>2010</u>	<u>2009</u>
Clean air and energy	\$ 267,062	\$ 265,724
Toxics and pollution prevention	64,652	47,920
Northwoods	162,473	288,412
Watersheds	<u>129,830</u>	<u>177,812</u>
Net operating assets released from restrictions	<u>624,017</u>	<u>779,868</u>
Capital campaign expenditures	<u>-</u>	<u>12,000</u>
Net non-operating assets released from restrictions	<u>-</u>	<u>12,000</u>
Total net assets released from restrictions	<u>\$ 624,017</u>	<u>\$ 791,868</u>

9. Retirement Plan

Through December 2008, the Council contributed 10% of eligible employees' compensation to a SEP IRA Custodial Account of the employees choosing. Effective January 1, 2009, SEP IRA contributions were discontinued and the Council began contributing 10% of eligible employees' compensation to a 403(b) retirement plan. Employer contributions to this 403(b) plan are discretionary. Effective May 2009, employer contributions to this 403(b) plan were suspended. The Council contributed a total of \$4,552 and \$108,477 during 2010 and 2009, respectively, to these plans.

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10. Sabbatical Leave

The Council has established a sabbatical leave policy whereby, after seven years of service, employees meeting certain eligibility requirements are entitled to six weeks of paid sabbatical leave. Employees are required to provide a written commitment of at least two additional years of service following completion of the sabbatical. Departure prior to the two-year period requires reimbursement of compensation paid to the employee during the sabbatical. The Council expenses sabbatical leave on a pay-as-you-go basis rather than as earned by the employees. Management has determined the difference between reporting sabbatical leave on a cash basis instead of on an accrual basis would not be material to the overall financial statements.

11. Leases

The Council leases copiers under noncancelable operating leases expiring through 2014.

Future minimum lease payments required under these operating leases are as follows:

2011	\$	17,400
2012		13,400
2013		7,000
2014		<u>400</u>
	\$	<u>38,200</u>

Rent expense was approximately \$21,700 in 2010 and \$15,600 in 2009.

12. Joint Costs

During the years ended March 31, 2010 and 2009, the Council conducted activities that included requests for contributions as well as program components. Those activities included direct mail campaigns, special events, and membership brochures. The costs of conducting those activities during 2010 and 2009 included a total of \$70,401 and \$71,523, respectively, of joint costs, which are not specifically attributable to particular components of the activities (joint costs). These joint costs were allocated as follows:

	<u>2010</u>	<u>2009</u>
Development and fundraising	\$ 50,482	\$ 55,340
Communications and general advocacy	<u>19,919</u>	<u>16,183</u>
	\$ <u>70,401</u>	\$ <u>71,523</u>

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13. Assets at Fair Value

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

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

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

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

Assets measured at fair value on a recurring basis as of March 31, 2010 are summarized below:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs Using the Market Approach (Level 2)	Significant Unobservable Inputs (Level 3)
Gifts of future interests	\$ 92,188	\$ -	\$ 92,188	\$ -
Cash investments	187,254	187,254	-	-
Common stock	1,430,987	1,430,987	-	-
Equity mutual funds	1,162,746	1,162,746	-	-
Bond mutual funds	<u>1,459,608</u>	<u>1,459,608</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,332,783</u>	<u>\$ 4,240,595</u>	<u>\$ 92,188</u>	<u>\$ -</u>

Donated services recognized in 2010 measured at fair value using significant unobservable inputs at the date of gift totaled \$116,044 using the income approach. Contributions receivable recognized in 2010 measured at fair value using significant other observable inputs at the date of gift totaled \$45,500 using the income approach.

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March 31, 2010 and 2009

Assets measured at fair value on a recurring basis as of March 31, 2009 are summarized below:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs Using the Market Approach (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Gifts of future interests	\$ 93,179	\$ -	\$ 93,179	\$ -
Cash investments	123,931	123,931	-	-
Common stock	1,115,135	1,115,135	-	-
Equity mutual funds	610,414	610,414	-	-
Bond mutual fund	<u>1,440,879</u>	<u>1,440,879</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,383,538</u>	<u>\$ 3,290,359</u>	<u>\$ 93,179</u>	<u>\$ -</u>

Donated services recognized in 2009 measured at fair value using significant unobservable inputs at the date of gift totaled \$120,646 using the income approach. Contributions receivable recognized in 2009 measured at fair value using significant other observable inputs at the date of gift totaled \$92,000 using the income approach.