



NATURAL RESOURCES COUNCIL OF MAINE

FINANCIAL STATEMENTS

MARCH 31, 2012 AND 2011

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 (NRCM) as of March 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of NRCM'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, 2012 and 2011, 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.

BerryDunn McNeil & Parker, LLC

Bangor, Maine
June 18, 2012

NATURAL RESOURCES COUNCIL OF MAINE

Statements of Financial Position

March 31, 2012 and 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Cash	\$ 580,156	\$ 716,779
Accounts receivable	955	6,438
Inventory	4,994	5,544
Prepaid expenses	37,169	28,732
Contributions and grants receivable	155,123	180,306
Property and equipment, net of accumulated depreciation	620,945	645,043
Gift of future interest - Simsbury property	183,000	-
Gift of future interest - other	113,756	90,188
Investments	<u>4,647,722</u>	<u>4,715,299</u>
Total assets	<u>\$ 6,343,820</u>	<u>\$ 6,388,329</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 92,143	\$ 142,348
Due to other organization	-	25,000
Lease payable	4,447	11,306
Gift annuities payable	<u>40,995</u>	<u>41,805</u>
Total liabilities	<u>137,585</u>	<u>220,459</u>
Commitments and contingencies (Notes 9, 10 and 11)		
Net assets		
Unrestricted		
Board-designated for investment	4,331,146	4,318,481
Invested in property and equipment, net of lease payable	616,498	633,737
Expendable	<u>604,219</u>	<u>622,228</u>
Total unrestricted	5,551,863	5,574,446
Temporarily restricted	469,372	408,424
Permanently restricted	<u>185,000</u>	<u>185,000</u>
Total net assets	<u>6,206,235</u>	<u>6,167,870</u>
Total liabilities and net assets	<u>\$ 6,343,820</u>	<u>\$ 6,388,329</u>

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

NATURAL RESOURCES COUNCIL OF MAINE

Statement of Activities

Year Ended March 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenue, gains and other support				
Membership and major donors	\$ 1,178,734	\$ 83,439	\$ -	\$ 1,262,173
Foundations	126,449	354,400	-	480,849
Miscellaneous income	23,461	-	-	23,461
Donated services	359	102,923	-	103,282
Investment appropriation withdrawn for operations	184,200	-	-	184,200
Net assets released from restrictions	<u>555,743</u>	<u>(555,743)</u>	<u>-</u>	<u>-</u>
Total operating revenue, gains and other support	<u>2,068,946</u>	<u>(14,981)</u>	<u>-</u>	<u>2,053,965</u>
Operating expenses				
Clean air and energy	204,382	-	-	204,382
Toxics and pollution prevention	61,676	-	-	61,676
Northwoods	210,776	-	-	210,776
Watersheds	131,726	-	-	131,726
Lobbying	105,766	-	-	105,766
General advocacy	368,939	-	-	368,939
Communications	595,170	-	-	595,170
Management and general	111,431	-	-	111,431
Development and fundraising	<u>281,103</u>	<u>-</u>	<u>-</u>	<u>281,103</u>
Total operating expenses	<u>2,070,969</u>	<u>-</u>	<u>-</u>	<u>2,070,969</u>
Net operating loss	<u>(2,023)</u>	<u>(14,981)</u>	<u>-</u>	<u>(17,004)</u>
Non-operating income (loss)				
Contributions restricted for citizen's engagement	-	36,390	-	36,390
Contributions board-designated for endowment	183,326	-	-	183,326
Change in value of gift annuities	4,285	-	-	4,285
Change in value of gifts of future interests	-	23,568	-	23,568
Net investment gain (loss) greater than withdrawals for operations, capital and other non-operating projects	<u>(208,171)</u>	<u>15,971</u>	<u>-</u>	<u>(192,200)</u>
Net non-operating income (loss)	<u>(20,560)</u>	<u>75,929</u>	<u>-</u>	<u>55,369</u>
Change in net assets	(22,583)	60,948	-	38,365
Net assets, beginning of year	<u>5,574,446</u>	<u>408,424</u>	<u>185,000</u>	<u>6,167,870</u>
Net assets, end of year	<u>\$ 5,551,863</u>	<u>\$ 469,372</u>	<u>\$ 185,000</u>	<u>\$ 6,206,235</u>

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

NATURAL RESOURCES COUNCIL OF MAINE

Statement of Activities

Year Ended March 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenue, gains and other support				
Membership and major donors	\$ 1,217,068	\$ 58,605	\$ -	\$ 1,275,673
Foundations	104,847	483,342	-	588,189
Miscellaneous income	28,342	26	-	28,368
Donated services	-	73,725	-	73,725
Investment appropriation withdrawn for operations	199,890	-	-	199,890
Net assets released from restrictions	<u>607,486</u>	<u>(607,486)</u>	<u>-</u>	<u>-</u>
Total operating revenue, gains and other support	<u>2,157,633</u>	<u>8,212</u>	<u>-</u>	<u>2,165,845</u>
Operating expenses				
Clean air and energy	284,091	-	-	284,091
Toxics and pollution prevention	110,128	-	-	110,128
Northwoods	194,437	-	-	194,437
Watersheds	122,364	-	-	122,364
Lobbying	73,592	-	-	73,592
General advocacy	301,438	-	-	301,438
Communications	552,575	-	-	552,575
Management and general	207,452	-	-	207,452
Development and fundraising	<u>396,327</u>	<u>-</u>	<u>-</u>	<u>396,327</u>
Total operating expenses	<u>2,242,404</u>	<u>-</u>	<u>-</u>	<u>2,242,404</u>
Net operating income (loss)	<u>(84,771)</u>	<u>8,212</u>	<u>-</u>	<u>(76,559)</u>
Non-operating income				
Contributions restricted for citizen's engagement	-	268,316	-	268,316
Contributions board-designated for endowment	17,764	-	-	17,764
Change in value of gift annuities	14,660	-	-	14,660
Change in value of gifts of future interests	-	(2,000)	-	(2,000)
Net investment gain greater than withdrawals for operations, capital and other non-operating projects	<u>253,712</u>	<u>5,147</u>	<u>-</u>	<u>258,859</u>
Net non-operating income	<u>286,136</u>	<u>271,463</u>	<u>-</u>	<u>557,599</u>
Change in net assets	201,365	279,675	-	481,040
Net assets, beginning of year	<u>5,373,081</u>	<u>128,749</u>	<u>185,000</u>	<u>5,686,830</u>
Net assets, end of year	<u>\$ 5,574,446</u>	<u>\$ 408,424</u>	<u>\$ 185,000</u>	<u>\$ 6,167,870</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, 2012

	<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												
Salaries and wages	\$ 109,604	\$ 37,611	\$ 98,802	\$ 51,986	\$ 66,396	\$ 199,568	\$ 303,009	\$ 866,976	\$ 101,955	\$ 36,229	\$ 112,411	\$ 1,117,571
Payroll taxes and employee benefits	27,215	9,710	24,412	12,951	17,373	49,609	74,521	215,791	27,528	4,698	28,348	276,365
Professional services	<u>11,228</u>	<u>-</u>	<u>49,848</u>	<u>49,068</u>	<u>2,400</u>	<u>8,194</u>	<u>11,640</u>	<u>132,378</u>	<u>39,541</u>	<u>-</u>	<u>7,219</u>	<u>179,138</u>
Total personnel	148,047	47,321	173,062	114,005	86,169	257,371	389,170	1,215,145	169,024	40,927	147,978	1,573,074
Other expenses												
Telephone	331	229	757	-	-	371	-	1,688	9,374	-	332	11,394
Advertising	-	-	-	-	-	-	19,427	19,427	-	-	-	19,427
Postage	2,282	22	26	5	3	6,065	20,267	28,670	-	1,497	25,640	55,807
Printing	7,693	525	639	101	669	7,960	26,912	44,499	-	523	20,530	65,552
Travel	5,666	55	5,385	1,136	525	6,378	5,924	25,069	-	397	509	25,975
Conferences and meetings	1,180	104	401	55	49	2,172	14,750	18,711	-	2,835	2,167	23,713
Subscriptions and dues	193	157	85	182	500	2,616	2,156	5,889	-	3,122	2,300	11,311
Occupancy	-	-	-	-	-	-	-	-	57,421	-	-	57,421
Insurance	-	-	-	-	-	-	-	-	13,949	-	-	13,949
Equipment maintenance	-	-	-	-	-	12,953	11,473	24,426	57,510	6,453	8,548	96,937
Depreciation	-	-	-	-	-	-	-	-	57,833	-	-	57,833
Bank charges	-	-	-	-	-	-	-	-	-	198	-	198
Supplies	1,459	-	16	-	23	704	3,330	5,532	3,074	5,646	15,917	30,169
Cost of goods sold	-	-	-	-	-	-	550	550	-	-	-	550
Lists	-	-	-	-	-	4,372	-	4,372	-	-	9,617	13,989
Allocated overhead	37,411	11,518	30,377	16,242	17,828	67,967	100,754	282,097	(368,185)	46,344	39,744	-
Miscellaneous	<u>120</u>	<u>1,745</u>	<u>28</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>457</u>	<u>2,360</u>	<u>-</u>	<u>3,489</u>	<u>7,821</u>	<u>13,670</u>
Total other expenses	<u>56,335</u>	<u>14,355</u>	<u>37,714</u>	<u>17,721</u>	<u>19,597</u>	<u>111,568</u>	<u>206,000</u>	<u>463,290</u>	<u>(169,024)</u>	<u>70,504</u>	<u>133,125</u>	<u>497,895</u>
Total expenses	<u>\$ 204,382</u>	<u>\$ 61,676</u>	<u>\$ 210,776</u>	<u>\$ 131,726</u>	<u>\$ 105,766</u>	<u>\$ 368,939</u>	<u>\$ 595,170</u>	<u>\$ 1,678,435</u>	<u>\$ -</u>	<u>\$ 111,431</u>	<u>\$ 281,103</u>	<u>\$ 2,070,969</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, 2011

	<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												
Salaries and wages	\$ 161,848	\$ 61,293	\$ 91,850	\$ 55,778	\$ 31,556	\$ 154,775	\$ 259,186	\$ 816,286	\$ 132,821	\$ 73,981	\$ 160,231	\$ 1,183,319
Payroll taxes and employee benefits	37,707	14,371	21,532	12,999	6,791	35,153	60,719	189,272	29,921	22,703	38,145	280,041
Professional services	<u>2,556</u>	<u>-</u>	<u>46,752</u>	<u>32,010</u>	<u>5,236</u>	<u>13,648</u>	<u>17,826</u>	<u>118,028</u>	<u>89,648</u>	<u>-</u>	<u>11,775</u>	<u>219,451</u>
Total personnel	202,111	75,664	160,134	100,787	43,583	203,576	337,731	1,123,586	252,390	96,684	210,151	1,682,811
Other expenses												
Telephone	359	142	566	-	-	550	-	1,617	10,102	-	83	11,802
Advertising	-	-	-	-	28,326	-	18,338	46,664	-	-	100	46,764
Postage	1,036	47	261	1	316	6,920	26,326	34,907	-	3,349	30,616	68,872
Printing	2,064	141	343	89	296	11,057	31,246	45,236	-	358	39,225	84,819
Travel	5,344	4,545	4,653	2,539	929	1,726	3,847	23,583	79	375	1,565	25,602
Conferences and meetings	4,299	4,882	645	76	-	3,088	16,641	29,631	2,605	2,717	3,819	38,772
Subscriptions and dues	195	113	206	46	-	3,607	1,712	5,879	-	2,382	2,087	10,348
Occupancy	-	-	-	-	-	-	-	-	59,536	-	-	59,536
Insurance	-	-	-	-	-	-	-	-	14,704	-	-	14,704
Equipment maintenance	-	-	-	-	-	13,355	11,391	24,746	37,013	5,341	18,838	85,938
Depreciation	-	-	-	-	-	-	-	-	57,206	-	-	57,206
Bank charges	-	-	-	-	-	-	-	-	-	283	434	717
Supplies	568	-	52	-	142	424	6,500	7,686	5,157	7,069	6,784	26,696
Cost of goods sold	-	-	-	-	-	-	-	-	-	-	1,428	1,428
Lists	-	-	-	-	-	4,029	-	4,029	-	-	10,586	14,615
Allocated overhead	68,107	24,594	27,577	18,826	-	53,106	98,817	291,027	(438,792)	84,178	63,587	-
Miscellaneous	<u>8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26</u>	<u>34</u>	<u>-</u>	<u>4,716</u>	<u>7,024</u>	<u>11,774</u>
Total other expenses	<u>81,980</u>	<u>34,464</u>	<u>34,303</u>	<u>21,577</u>	<u>30,009</u>	<u>97,862</u>	<u>214,844</u>	<u>515,039</u>	<u>(252,390)</u>	<u>110,768</u>	<u>186,176</u>	<u>559,593</u>
Total expenses	<u>\$ 284,091</u>	<u>\$ 110,128</u>	<u>\$ 194,437</u>	<u>\$ 122,364</u>	<u>\$ 73,592</u>	<u>\$ 301,438</u>	<u>\$ 552,575</u>	<u>\$ 1,638,625</u>	<u>\$ -</u>	<u>\$ 207,452</u>	<u>\$ 396,327</u>	<u>\$ 2,242,404</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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ 38,365	\$ 481,040
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	57,833	57,206
Net realized and unrealized (gain) loss on investments	52,589	(408,123)
(Increase) decrease in gifts of future interests	(206,568)	2,000
Decrease (increase) in		
Accounts receivable	5,483	5,667
Inventory	550	1,428
Prepaid expenses	(8,437)	(4,855)
Contributions and grants receivable	25,183	(102,446)
Increase (decrease) in		
Accounts payable and accrued expenses	(50,205)	1,203
Due to other organization	(25,000)	25,000
Deferred revenue	-	(14,275)
Gift annuities payable	<u>(810)</u>	<u>16,209</u>
Net cash (used) provided by operating activities	<u>(111,017)</u>	<u>60,054</u>
Cash flows from investing activities		
Purchases of investments	(1,322,079)	(1,468,086)
Proceeds from sale of investments	1,337,067	1,401,505
Purchase of property and equipment	<u>(33,735)</u>	<u>(4,334)</u>
Net cash used by investing activities	<u>(18,747)</u>	<u>(70,915)</u>
Cash flows from financing activities		
Principal payments on lease payable	<u>(6,859)</u>	<u>(6,858)</u>
Net decrease in cash	(136,623)	(17,719)
Cash, beginning of year	<u>716,779</u>	<u>734,498</u>
Cash, end of year	<u>\$ 580,156</u>	<u>\$ 716,779</u>

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

NATURAL RESOURCES COUNCIL OF MAINE

Notes to Financial Statements

March 31, 2012 and 2011

Purpose of the Organization and Nature of Activities

Natural Resources Council of Maine (NRCM) is organized as a non-profit corporation to protect, restore, and conserve Maine's environment, now and for future generations. NRCM 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. NRCM 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 NRCM's activities:

Clean Air and Energy

Clean air is essential for healthy, happy lives. Clean, renewable energy helps ensure clean air. NRCM 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

NRCM 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. NRCM supports economic development and job creation through green chemistry, product stewardship and sustainable manufacturing.

Northwoods

NRCM works to protect Maine's natural areas and wild, undeveloped character, particularly in the North Woods. NRCM supports responsible land development and sustainable forest practices that protect sensitive ecosystems and wildlife. NRCM 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. NRCM 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, 2012 and 2011

1. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) 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 NRCM 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 NRCM. The donors of these assets permit NRCM to use the income earned on related investments for general purposes.

Income Taxes

The Internal Revenue Service has determined that NRCM 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.

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, contributions board-designated for endowment, contributions restricted for citizen's engagement and changes in value of gifts of future interests.

Cash on Deposit

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

NATURAL RESOURCES COUNCIL OF MAINE

Notes to Financial Statements

March 31, 2012 and 2011

Accounts, Contributions and Grants Receivable

Accounts, contributions and grants receivable are stated at the amount management expects to collect. NRCM 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, NRCM reports expirations of donor restrictions when the donated or acquired assets are placed in service. NRCM 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 NRCM's policy to capitalize assets with a cost exceeding \$1,000 and a useful life of more than one year.

Lease Payable

NRCM 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.

NATURAL RESOURCES COUNCIL OF MAINE

Notes to Financial Statements

March 31, 2012 and 2011

Contributions

NRCM 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.

NRCM 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

NRCM 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 \$103,282 in 2012 and \$73,725 in 2011 consisted of legal services in support of the Clean Air and Energy, Watersheds and Northwoods Projects.

Revenue Recognition - Grants

NRCM 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

NRCM allocates its expenses on a functional basis among its various programs. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management allocates these overhead costs based on hours employees spend on the respective program and supporting services.

Reclassification

Certain amounts in the 2011 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 GAAP, NRCM has considered transactions or events occurring through June 18, 2012, which was the date that the financial statements were available to be issued.

NATURAL RESOURCES COUNCIL OF MAINE

Notes to Financial Statements

March 31, 2012 and 2011

2. Contributions and Grants Receivable

Contributions and grants receivable consist of unconditional promises to give toward the citizen engagement fund, Northwoods, toxics and pollution prevention, general advocacy and general operations and are expected to be received as follows:

	<u>2012</u>	<u>2011</u>
Within one year	\$ 119,656	\$ 100,365
Between one and five years	<u>35,467</u>	<u>79,941</u>
	<u>\$ 155,123</u>	<u>\$ 180,306</u>

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

3. Property and Equipment

Property and equipment consists of:

	<u>2012</u>	<u>2011</u>
Land	\$ 107,510	\$ 107,510
Building and improvements	898,626	867,384
Furniture and equipment	<u>309,065</u>	<u>306,572</u>
	1,315,201	1,281,466
Less accumulated depreciation	<u>694,256</u>	<u>636,423</u>
Net property and equipment	<u>\$ 620,945</u>	<u>\$ 645,043</u>

4. Gifts of Future Interests

NRCM is a remainder beneficiary of two certain charitable remainder unitrusts. The future income stream of the first charitable remainder unitrust is valued using a 3.2% discount rate and published life expectancy tables for the income beneficiaries. NRCM's interest in the principal of this split-interest agreement is reported based on the fair value of the underlying assets, discounted to present value, and was \$113,756 at March 31, 2012 and \$90,188 at March 31, 2011. The fair value of this gift of future interest increased by \$23,568 in 2012 and decreased by \$2,000 in 2011.

During 2012, NRCM was notified of its remainder interest in the second charitable remainder trust. The income beneficiaries died during 2012, with NRCM being the sole remainder beneficiary. The trust's primary asset is residential rental property. NRCM has chosen to keep the rental property in the trust until the property is sold, at which time the net proceeds will be distributed to NRCM. The fair value of the trust assets of \$183,000 is included in contributions board-designated for endowment in the 2012 statement of activities.

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The addition to the trusts noted in the previous paragraphs, NRCM is a remainder beneficiary in an irrevocable trust for which the total market value of the trust could not be determined at March 31, 2012 or 2011. 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.

NRCM has received contributions under charitable gift annuity agreements. NRCM 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 \$40,995 at March 31, 2012 and \$41,805 at March 31, 2011. The original amounts donated under these charitable gift annuity agreements totaled \$95,502 and are included in investments.

5. Investments

Investments at March 31 consist of:

	<u>2012</u>	<u>2011</u>
Cash investments	\$ 158,758	\$ 281,808
Common stock		
U.S. large cap	789,960	1,028,127
Equity mutual funds		
U.S. large cap	786,568	288,260
U.S. mid cap	216,676	245,433
U.S. small cap	179,666	188,329
U.S. small-mid cap	97,400	-
International developed	380,419	475,356
Emerging markets	424,769	464,774
Other	18,741	331,826
Exchange traded funds - real estate	13,685	10,232
Exchange traded funds and Ishares - commodities	70,510	66,678
Exchange traded fund - absolute return	89,361	-
Exchange traded fund - managed futures	39,290	-
Ishares - bond fund	15,883	-
Bond mutual funds	<u>1,366,036</u>	<u>1,334,476</u>
Total investments	<u>\$ 4,647,722</u>	<u>\$ 4,715,299</u>

At March 31, 2012, NRCM held approximately \$738,175 of its total investments in a single bond mutual fund, BNY Mellon Bond Fund Class M Shares (ticker symbol MPBFX). At March 31, 2011, NRCM held approximately \$932,233 in this bond mutual fund.

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NRCM 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 the most recent twelve quarters. The amount allocated to operations is reflected in the statement of activities as follows:

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 44,589	\$ 50,626
Realized gains	2,683	203,216
Unrealized gains (losses)	<u>(55,272)</u>	<u>204,907</u>
Total investment gains (losses)	(8,000)	458,749
Operating appropriation	<u>184,200</u>	<u>199,890</u>
Investment gain (losses) greater than approved spending policy and approved capital and other non-operating projects	\$ <u>(192,200)</u>	\$ <u>258,859</u>

Interest and dividend income is presented net of investment fees of \$36,801 and \$33,551 for the years ended March 31, 2012 and 2011, respectively.

The primary goal of the investment portfolio is to achieve performance (income and growth) which will keep pace with NRCM's spending requirements, expenses, and inflation while limiting investment in firms which are significant environmental polluters. NRCM 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, NRCM directs the endowments to be typically invested 60% to 70% in equity securities and 30% to 40% in high-quality fixed income securities. NRCM intends to have no more than 10% of the investment portfolio in cash or cash equivalents. In 2012, the Board of Directors approved for up to 5% to be invested in other investments including but not limited to, investments in commodities, currencies, derivative contracts, commodity contracts, futures contracts, precious metals, hedge funds and others as long as such investments are highly liquid, the value is readily determinable and the investment is not prohibited by state and federal law pertaining to the fiduciary duties of the Board with respect to such investments.

NRCM 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, NRCM 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.

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In addition to board-designated and donor-restricted endowment investments, for 2012 and 2011, NRCM has invested temporarily restricted contributions for the citizen's engagement fund and the board-designated capital projects fund. These funds are presented separately from endowment funds as project funds in the following schedules of investment activity and investment composition by type of fund.

The investment net asset composition by type of fund as of March 31, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Funds</u>	<u>Total Project Funds</u>	<u>Total Investments</u>
Donor-restricted endowment funds	\$ -	\$ 4,703	\$ 185,000	\$ 189,703	\$ -	\$ 189,703
Board-designated endowment funds	4,165,948	-	-	4,165,948	-	4,165,948
Board-designated capital fund	-	-	-	-	23,193	23,193
Temporarily restricted project funds	-	-	-	-	268,878	268,878
	<u>\$ 4,165,948</u>	<u>\$ 4,703</u>	<u>\$ 185,000</u>	<u>\$ 4,355,651</u>	<u>\$ 292,071</u>	<u>\$ 4,647,722</u>

Changes in investment net assets for the year ended March 31, 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Funds</u>	<u>Total Project Funds</u>	<u>Total Investments</u>
Investment net assets, beginning of year	<u>\$ 4,360,286</u>	<u>\$ 5,400</u>	<u>\$ 185,000</u>	<u>\$ 4,550,686</u>	<u>\$ 164,613</u>	<u>\$ 4,715,299</u>
Investment return						
Net investment income	42,904	1,184	-	44,088	501	44,589
Realized gain (loss) on investments	(139)	2,822	-	2,683	-	2,683
Net appreciation (depreciation) of investments	<u>(67,853)</u>	<u>(4,703)</u>	<u>-</u>	<u>(72,556)</u>	<u>17,284</u>	<u>(55,272)</u>
Net investment gain (loss)	<u>(25,088)</u>	<u>(697)</u>	<u>-</u>	<u>(25,785)</u>	<u>17,785</u>	<u>(8,000)</u>
Additions to investment assets	10,876	-	-	10,876	120,273	131,149
Appropriation of investment assets for expenditure and payment of charitable gift annuities	<u>(180,126)</u>	<u>-</u>	<u>-</u>	<u>(180,126)</u>	<u>(10,600)</u>	<u>(190,726)</u>
Investment net assets, end of year	<u>\$ 4,165,948</u>	<u>\$ 4,703</u>	<u>\$ 185,000</u>	<u>\$ 4,355,651</u>	<u>\$ 292,071</u>	<u>\$ 4,647,722</u>

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Notes to Financial Statements

March 31, 2012 and 2011

The investment net asset composition by type of fund as of March 31, 2011 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Funds</u>	<u>Total Project Funds</u>	<u>Total Investments</u>
Donor-restricted endowment funds	\$ -	\$ 5,400	\$ 185,000	\$ 190,400	\$ -	\$ 190,400
Board-designated endowment funds	4,360,286	-	-	4,360,286	-	4,360,286
Temporarily restricted project funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,613</u>	<u>164,613</u>
	<u>\$ 4,360,286</u>	<u>\$ 5,400</u>	<u>\$ 185,000</u>	<u>\$ 4,550,686</u>	<u>\$ 164,613</u>	<u>\$ 4,715,299</u>

Changes in investment net assets for the year ended March 31, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Funds</u>	<u>Total Project Funds</u>	<u>Total Investments</u>
Investment net assets, beginning of year	<u>\$ 4,055,595</u>	<u>\$ -</u>	<u>\$ 185,000</u>	<u>\$ 4,240,595</u>	<u>\$ -</u>	<u>\$ 4,240,595</u>
Investment return						
Net investment income (loss)	49,104	1,700	-	50,804	(178)	50,626
Realized gain on investments	197,658	5,558	-	203,216	-	203,216
Net appreciation (depreciation) of investments	<u>189,519</u>	<u>15,463</u>	<u>-</u>	<u>204,982</u>	<u>(75)</u>	<u>204,907</u>
Repayment of prior accumulated losses to unrestricted	<u>17,321</u>	<u>(17,321)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net investment gain (loss)	<u>453,602</u>	<u>5,400</u>	<u>-</u>	<u>459,002</u>	<u>(253)</u>	<u>458,749</u>
Additions to investment assets	52,269	-	-	52,269	164,866	217,135
Appropriation of investment assets for expenditure and payment of charitable gift annuities	<u>(201,180)</u>	<u>-</u>	<u>-</u>	<u>(201,180)</u>	<u>-</u>	<u>(201,180)</u>
Investment net assets, end of year	<u>\$ 4,360,286</u>	<u>\$ 5,400</u>	<u>\$ 185,000</u>	<u>\$ 4,550,686</u>	<u>\$ 164,613</u>	<u>\$ 4,715,299</u>

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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>2012</u>	<u>2011</u>
Board-designated endowment - invested	\$ 4,165,948	\$ 4,360,286
Board-designated endowment - other	183,000	-
Board-designated capital fund	23,193	-
Gift annuities payable	<u>(40,995)</u>	<u>(41,805)</u>
	<u>\$ 4,331,146</u>	<u>\$ 4,318,481</u>

7. Temporarily Restricted Net Assets

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

	<u>2012</u>	<u>2011</u>
General advocacy	\$ -	\$ 34,000
Toxics and pollution prevention	36,965	7,209
Other	3,862	4,000
Citizen's engagement	310,086	267,554
General operations - time restrictions	4,703	5,474
Gifts of future interests - time restrictions	<u>113,756</u>	<u>90,187</u>
Total temporarily restricted net assets	<u>\$ 469,372</u>	<u>\$ 408,424</u>

8. Net Assets Released From Restrictions

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

	<u>2012</u>	<u>2011</u>
Clean air and energy	\$ 156,853	\$ 254,593
Toxics and pollution prevention	61,245	101,854
Northwoods	107,798	151,232
Watersheds	86,568	87,373
General advocacy	128,679	12,000
Citizen's engagement	10,600	434
Other	<u>4,000</u>	<u>-</u>
Total net assets released from restrictions	<u>\$ 555,743</u>	<u>\$ 607,486</u>

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Notes to Financial Statements

March 31, 2012 and 2011

9. Retirement Plan

NRCM contributes 3% of eligible employees' compensation to a 403(b) retirement plan. Employer contributions to this 403(b) plan are discretionary. NRCM contributed a total of \$33,972 and \$32,784 during 2012 and 2011, respectively, to the plan.

10. Sabbatical Leave

NRCM 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. NRCM 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

NRCM leases copiers and other office equipment under noncancelable operating leases expiring through 2017.

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

2013	\$	29,500
2014		24,500
2015		22,900
2016		21,900
2017		<u>8,000</u>
	\$	<u>106,800</u>

Rent expense was approximately \$27,000 in 2012 and \$21,700 in 2011.

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Notes to Financial Statements

March 31, 2012 and 2011

12. Joint Costs

During the years ended March 31, 2012 and 2011, NRCM 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 2012 and 2011 included a total of \$54,511 and \$76,673, 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>2012</u>	<u>2011</u>
Development and fundraising	\$ 37,459	\$ 55,920
Communications and general advocacy	<u>17,052</u>	<u>20,753</u>
	<u>\$ 54,511</u>	<u>\$ 76,673</u>

13. Assets at Fair Value

Financial Accounting Standards Board Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* (ASC Topic 820), 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.

NATURAL RESOURCES COUNCIL OF MAINE

Notes to Financial Statements

March 31, 2012 and 2011

Assets measured at fair value on a recurring basis as of March 31, 2012 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	\$ 296,756	\$ -	\$ 296,756	\$ -
Cash investments	158,758	158,758	-	-
Common stock				
U.S. large cap	789,960	789,960	-	-
Equity mutual funds				
U.S. large cap	786,568	786,568	-	-
U.S. mid cap	216,676	216,676	-	-
U.S. small cap	179,666	179,666	-	-
U.S. small-mid cap	97,400	97,400	-	-
International developed	380,419	380,419	-	-
Emerging markets	424,769	424,769	-	-
Other	18,741	18,741	-	-
Exchange traded funds - real estate	13,685	13,685	-	-
Exchange traded funds and Ishares - commodities	70,510	70,510	-	-
Exchange traded fund - absolute return	89,361	89,361	-	-
Exchange traded fund - managed futures	39,290	39,290	-	-
Ishares - bond fund	15,883	15,883	-	-
Bond mutual funds	<u>1,366,036</u>	<u>1,366,036</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,944,478</u>	<u>\$ 4,647,722</u>	<u>\$ 296,756</u>	<u>\$ -</u>

Donated services recognized in 2012 measured at fair value using significant unobservable inputs at the date of gift totaled \$103,282 using the income approach.

Level 2 assets are valued based on the classification of the underlying assets held by the gifts of future interests, which are actively traded investments and rental real estate property.

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Assets measured at fair value on a recurring basis as of March 31, 2011 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	\$ 90,188	\$ -	\$ 90,188	\$ -
Cash investments	281,808	281,808	-	-
Common stock				
U.S. large cap	1,028,127	1,028,127	-	-
Equity mutual funds				
U.S. large cap	288,260	288,260	-	-
U.S. mid cap	245,433	245,433	-	-
U.S. small cap	188,329	188,329	-	-
International developed	475,356	475,356	-	-
Emerging markets	464,774	464,774	-	-
Other	331,826	331,826	-	-
Exchange traded funds - real estate	10,232	10,232	-	-
Exchange traded funds and Ishares				
- commodities	66,678	66,678	-	-
Bond mutual funds	<u>1,334,476</u>	<u>1,334,476</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,805,487</u>	<u>\$ 4,715,299</u>	<u>\$ 90,188</u>	<u>\$ -</u>

Donated services recognized in 2011 measured at fair value using significant unobservable inputs at the date of gift totaled \$73,725 using the income approach.

Level 2 assets are valued based on the classification of the underlying investments held by the gift of future interest, which are actively traded.