



NATURAL RESOURCES COUNCIL OF MAINE

FINANCIAL STATEMENTS

March 31, 2013 and 2012

With Independent Auditor's Report





INDEPENDENT AUDITOR'S REPORT

Board of Directors
Natural Resources Council of Maine

We have audited the accompanying financial statements of Natural Resources Council of Maine (NRCM), which comprise the statements of financial position as of March 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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 U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Natural Resources Council of Maine as of March 31, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
June 27, 2013

NATURAL RESOURCES COUNCIL OF MAINE

Statements of Financial Position

March 31, 2013 and 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Cash	\$ 723,391	\$ 580,156
Accounts receivable	3,599	955
Inventory	3,530	4,994
Prepaid expenses	38,051	37,169
Contributions and grants receivable	103,220	155,123
Bequest receivable	65,000	-
Property and equipment, net of accumulated depreciation	583,017	620,945
Gift of future interest - Simsbury property	70,000	183,000
Gift of future interest - other	133,819	113,756
Investments	<u>4,792,675</u>	<u>4,647,722</u>
Total assets	<u>\$ 6,516,302</u>	<u>\$ 6,343,820</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 112,122	\$ 92,143
Lease payable	-	4,447
Gift annuities payable	<u>37,366</u>	<u>40,995</u>
Total liabilities	<u>149,488</u>	<u>137,585</u>
Commitments and contingencies (Notes 11 and 12)		
Net assets		
Unrestricted		
Board-designated for investment	4,381,673	4,331,146
Invested in property and equipment, net of lease payable	583,017	616,498
Expendable	<u>712,579</u>	<u>604,219</u>
Total unrestricted	5,677,269	5,551,863
Temporarily restricted	504,545	469,372
Permanently restricted	<u>185,000</u>	<u>185,000</u>
Total net assets	<u>6,366,814</u>	<u>6,206,235</u>
Total liabilities and net assets	<u>\$ 6,516,302</u>	<u>\$ 6,343,820</u>

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

NATURAL RESOURCES COUNCIL OF MAINE

Statement of Activities

Year Ended March 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenue, gains and other support				
Membership and major donors	\$ 1,209,869	\$ 87,934	\$ -	\$ 1,297,803
Foundations	110,500	455,600	-	566,100
Miscellaneous income	16,273	-	-	16,273
Donated services	25	157,296	-	157,321
Investment appropriation withdrawn for operations	184,000	-	-	184,000
Net assets released from restrictions	<u>697,997</u>	<u>(697,997)</u>	-	-
Total operating revenue, gains and other support	<u>2,218,664</u>	<u>2,833</u>	-	<u>2,221,497</u>
Operating expenses				
Clean air and energy	291,487	-	-	291,487
Toxics and pollution prevention	96,096	-	-	96,096
Northwoods	169,469	-	-	169,469
Watersheds	275,860	-	-	275,860
Lobbying	59,573	-	-	59,573
General advocacy	319,933	-	-	319,933
Communications	554,299	-	-	554,299
Management and general	116,983	-	-	116,983
Development and fundraising	<u>270,659</u>	-	-	<u>270,659</u>
Total operating expenses	<u>2,154,359</u>	-	-	<u>2,154,359</u>
Net operating income	<u>64,305</u>	<u>2,833</u>	-	<u>67,138</u>
Non-operating income (loss)				
Contributions, Board-designated	117,505	-	-	117,505
Change in value of gift annuities	1,371	-	-	1,371
Change in value of gifts of future interests	(113,000)	7,563	-	(105,437)
Net investment gain greater than withdrawals for operations, capital and other non-operating projects	<u>55,225</u>	<u>24,777</u>	-	<u>80,002</u>
Net non-operating income	<u>61,101</u>	<u>32,340</u>	-	<u>93,441</u>
Change in net assets	125,406	35,173	-	160,579
Net assets, beginning of year	<u>5,551,863</u>	<u>469,372</u>	<u>185,000</u>	<u>6,206,235</u>
Net assets, end of year	<u>\$ 5,677,269</u>	<u>\$ 504,545</u>	<u>\$ 185,000</u>	<u>\$ 6,366,814</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	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 Functional Expenses

Year Ended March 31, 2013

	<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>Develop- ment and Fundraising</u>	<u>Total Expenses</u>
Personnel												
Salaries and wages	\$ 154,664	\$ 54,158	\$ 102,881	\$ 84,435	\$ 27,836	\$ 173,244	\$ 290,915	\$ 888,133	\$ 96,127	\$ 37,671	\$ 108,810	\$ 1,130,741
Payroll taxes and employee benefits	38,199	14,350	26,662	22,337	9,129	46,367	74,870	231,914	25,370	8,873	29,429	295,586
Professional services	<u>23,630</u>	<u>1,385</u>	<u>2,523</u>	<u>139,160</u>	<u>12,061</u>	<u>100</u>	<u>7,456</u>	<u>186,315</u>	<u>41,390</u>	-	<u>170</u>	<u>227,875</u>
Total personnel	216,493	69,893	132,066	245,932	49,026	219,711	373,241	1,306,362	162,887	46,544	138,409	1,654,202
Other expenses												
Telephone	646	-	928	-	-	539	-	2,113	8,546	-	503	11,162
Advertising	36	-	-	-	-	-	15,846	15,882	-	-	-	15,882
Postage	5,394	35	369	4	3	8,611	19,693	34,109	-	603	24,139	58,851
Printing	1,934	170	1,288	129	44	9,415	20,838	33,818	-	324	18,599	52,741
Travel	6,218	1,094	4,928	2,660	854	5,581	5,312	26,647	-	570	458	27,675
Conferences and meetings	8,856	1,718	560	294	60	1,489	8,667	21,644	-	1,886	737	24,267
Subscriptions and dues	35	368	63	-	-	2,110	2,036	4,612	-	6,462	1,686	12,760
Occupancy	-	-	-	-	-	-	-	-	55,114	-	-	55,114
Insurance	-	-	-	-	-	-	-	-	14,418	-	-	14,418
Equipment maintenance	-	-	-	-	-	10,037	7,111	17,148	65,025	8,321	17,622	108,116
Depreciation	-	-	-	-	-	-	-	-	59,524	-	-	59,524
Bank charges	-	-	-	-	-	-	-	-	-	180	-	180
Supplies	1,737	19	96	22	116	1,939	2,952	6,881	3,399	3,534	12,979	26,793
Cost of goods sold	-	-	-	-	-	-	1,465	1,465	-	-	-	1,465
Lists	-	-	-	-	-	7,009	-	7,009	-	-	10,409	17,418
Allocated overhead	50,138	22,799	28,762	26,819	9,470	53,454	97,115	288,557	(368,913)	44,992	35,364	-
Miscellaneous	-	-	<u>409</u>	-	-	<u>38</u>	<u>23</u>	<u>470</u>	-	<u>3,567</u>	<u>9,754</u>	<u>13,791</u>
Total other expenses	<u>74,994</u>	<u>26,203</u>	<u>37,403</u>	<u>29,928</u>	<u>10,547</u>	<u>100,222</u>	<u>181,058</u>	<u>460,355</u>	<u>(162,887)</u>	<u>70,439</u>	<u>132,250</u>	<u>500,157</u>
Total expenses	<u>\$ 291,487</u>	<u>\$ 96,096</u>	<u>\$ 169,469</u>	<u>\$ 275,860</u>	<u>\$ 59,573</u>	<u>\$ 319,933</u>	<u>\$ 554,299</u>	<u>\$ 1,766,717</u>	<u>\$ -</u>	<u>\$ 116,983</u>	<u>\$ 270,659</u>	<u>\$ 2,154,359</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

	Clean Air and Energy	Toxics and Pollution Prevention	Northwoods	Watersheds	Lobbying	General Advocacy	Communi- cations	Total Programs	Allocated Overhead	Management and General	Develop- ment and Fundraising	Total Expenses
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	-	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

Statements of Cash Flows

Years Ended March 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ 160,579	\$ 38,365
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	59,524	57,833
Net realized and unrealized (gain) loss on investments	(212,442)	52,589
Decrease (increase) in gifts of future interests	92,937	(206,568)
Decrease (increase) in		
Accounts receivable	(2,644)	5,483
Inventory	1,464	550
Prepaid expenses	(882)	(8,437)
Contributions and grants receivable	51,903	25,183
Bequest receivable	(65,000)	-
Increase (decrease) in		
Accounts payable and accrued expenses	19,979	(50,205)
Due to other organization	-	(25,000)
Gift annuities payable	(3,629)	(810)
Net cash provided (used) by operating activities	<u>101,789</u>	<u>(111,017)</u>
Cash flows from investing activities		
Purchases of investments	(5,517,633)	(1,322,079)
Proceeds from sale of investments	5,585,122	1,337,067
Purchase of property and equipment	<u>(21,596)</u>	<u>(33,735)</u>
Net cash provided (used) by investing activities	<u>45,893</u>	<u>(18,747)</u>
Cash flows from financing activities		
Principal payments on lease payable	<u>(4,447)</u>	<u>(6,859)</u>
Net increase (decrease) in cash	143,235	(136,623)
Cash, beginning of year	<u>580,156</u>	<u>716,779</u>
Cash, end of year	<u>\$ 723,391</u>	<u>\$ 580,156</u>

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

NATURAL RESOURCES COUNCIL OF MAINE

Notes to Financial Statements

March 31, 2013 and 2012

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 watersheds; 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, 2013 and 2012

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.

Measure 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), contributions restricted for citizen's engagement and changes in value of gift annuities and 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, 2013 and 2012

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.

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

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, 2013 and 2012

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 statements 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 \$157,321 in 2013 and \$103,282 in 2012 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 overhead 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.

Subsequent Events

For purposes of the preparation of these financial statements in conformity with U.S. GAAP, NRCM has considered transactions or events occurring through June 27, 2013, which was the date that the financial statements were available to be issued.

During March 2013, NRCM began moving its investments to both a new investment custodian and investment manager. This process was completed subsequent to year end. In conjunction with this change, NRCM will be reviewing and revising its investment policies.

NATURAL RESOURCES COUNCIL OF MAINE

Notes to Financial Statements

March 31, 2013 and 2012

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>2013</u>	<u>2012</u>
Within one year	\$ 58,410	\$ 119,656
Between one and five years	<u>44,810</u>	<u>35,467</u>
	<u>\$ 103,220</u>	<u>\$ 155,123</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>2013</u>	<u>2012</u>
Land	\$ 107,510	\$ 107,510
Building and improvements	892,160	898,626
Furniture and equipment	<u>200,502</u>	<u>309,065</u>
	1,200,172	1,315,201
Less accumulated depreciation	<u>617,155</u>	<u>694,256</u>
Net property and equipment	<u>\$ 583,017</u>	<u>\$ 620,945</u>

4. Gifts of Future Interests

NRCM is a remainder beneficiary of certain charitable remainder unitrusts.

The future income stream of one 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 \$121,319 at March 31, 2013 and \$113,756 at March 31, 2012. The fair value of this gift of future interest increased by \$7,563 in 2013 and \$23,568 in 2012.

The income beneficiaries of another charitable remainder trust died during 2011, with NRCM being the sole remainder beneficiary. The trust's primary asset is 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. Management estimated the fair value of the trust assets was \$70,000 at March 31, 2013 and \$183,000 at March 31, 2012.

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During 2013, NRCM was notified of its remainder interests in one additional charitable remainder trust. The income beneficiary died during 2013, with NRCM being a remainder beneficiary. The split-interest agreement is reported based on the fair value of the underlying assets, and was \$12,500 at March 31, 2013, which is included in Board-designated contributions in the 2013 statement of activities.

In 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, 2013 or 2012. 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 \$37,366 at March 31, 2013 and \$40,995 at March 31, 2012. The original amounts donated under these charitable gift annuity agreements totaled \$100,502 and are included in investments.

5. Bequest Receivable

During 2013, NRCM was notified of a bequest. The gift was recorded based on the fair value of the underlying assets which were \$65,000 and is included in Board-designated contributions in the 2013 statement of activities.

6. Investments

Investments at March 31 consist of:

	<u>2013</u>	<u>2012</u>
Cash investments	\$ 206,620	\$ 158,758
Equities	-	789,960
Mutual funds		
Equity	255,894	2,104,239
Bonds	-	1,366,036
Exchange traded funds		
Equity	2,820,719	-
Bonds	385,380	15,883
Commodities	412,304	70,510
Real estate	711,758	13,685
Other	-	128,651
	<u> </u>	<u> </u>
Total investments	<u>\$ 4,792,675</u>	<u>\$ 4,647,722</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).

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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 statements of activities as follows:

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 51,560	\$ 44,589
Net realized gains	262,649	2,683
Net unrealized losses	<u>(50,207)</u>	<u>(55,272)</u>
Total investment gains (losses)	264,002	(8,000)
Operating appropriation	<u>184,000</u>	<u>184,200</u>
Investment gain (losses) greater than approved spending policy and approved capital and other non-operating projects	<u>\$ 80,002</u>	<u>\$ (192,200)</u>

Interest and dividend income is presented net of investment fees of \$39,893 and \$36,801 for the years ended March 31, 2013 and 2012, 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 its portfolio. Specifically, NRCM directs investments 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 for long-term investment are classified as unrestricted net assets.

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In addition to Board-designated investments and donor-restricted endowment investments, for 2013 and 2012, NRCM has invested temporarily restricted contributions for the citizen's engagement fund and the Board-designated capital projects fund. These funds are presented separately 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, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Long-term Investment Funds</u>	<u>Total Project Funds</u>	<u>Total Investments</u>
Donor-restricted endowment funds	\$ -	\$ 14,629	\$ 185,000	\$ 199,629	\$ -	\$ 199,629
Board-designated investment funds	4,268,736	-	-	4,268,736	-	4,268,736
Board-designated capital fund	-	-	-	-	32,798	32,798
Temporarily restricted project funds	-	-	-	-	291,512	291,512
	<u>\$ 4,268,736</u>	<u>\$ 14,629</u>	<u>\$ 185,000</u>	<u>\$ 4,468,365</u>	<u>\$ 324,310</u>	<u>\$ 4,792,675</u>

Changes in investment net assets for the year ended March 31, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Long-term Investment Funds</u>	<u>Total Project Funds</u>	<u>Total Investments</u>
Investment net assets, beginning 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>
Investment return						
Net investment income	46,246	2,130	-	48,376	3,184	51,560
Realized gain on investments	216,238	23,612	-	239,850	22,799	262,649
Net depreciation of investments	<u>(24,454)</u>	<u>(15,816)</u>	<u>-</u>	<u>(40,270)</u>	<u>(9,937)</u>	<u>(50,207)</u>
Net investment gain	<u>238,030</u>	<u>9,926</u>	<u>-</u>	<u>247,956</u>	<u>16,046</u>	<u>264,002</u>
Additions to investment assets	41,291	-	-	41,291	27,233	68,524
Appropriation of investment assets for expenditure and payment of charitable gift annuities	<u>(176,533)</u>	<u>-</u>	<u>-</u>	<u>(176,533)</u>	<u>(11,040)</u>	<u>(187,573)</u>
Investment net assets, end of year	<u>\$ 4,268,736</u>	<u>\$ 14,629</u>	<u>\$ 185,000</u>	<u>\$ 4,468,365</u>	<u>\$ 324,310</u>	<u>\$ 4,792,675</u>

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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 Long-term Investment 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 investment funds	4,165,948	-	-	4,165,948	-	4,165,948
Board-designated capital fund	-	-	-	-	23,193	23,193
Temporarily restricted project funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>268,878</u>	<u>268,878</u>
	<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 Long-term Investment 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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7. Board-Designated Net Assets

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

	<u>2013</u>	<u>2012</u>
Board-designated - long-term investments	\$ 4,268,736	\$ 4,165,948
Board-designated - other	117,505	183,000
Board-designated capital fund	32,798	23,193
Gift annuities payable	<u>(37,366)</u>	<u>(40,995)</u>
	<u>\$ 4,381,673</u>	<u>\$ 4,331,146</u>

8. Temporarily Restricted Net Assets

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

	<u>2013</u>	<u>2012</u>
Toxics and pollution prevention	\$ 35,434	\$ 36,965
Other	19,270	3,862
Citizen's engagement	313,893	310,086
General operations - time restrictions	14,629	4,703
Gifts of future interests - time restrictions	<u>121,319</u>	<u>113,756</u>
Total temporarily restricted net assets	<u>\$ 504,545</u>	<u>\$ 469,372</u>

9. Net Assets Released From Restrictions

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

	<u>2013</u>	<u>2012</u>
Clean air and energy	\$ 231,838	\$ 156,853
Toxics and pollution prevention	81,804	61,245
Northwoods	153,097	107,798
Watersheds	219,168	86,568
General advocacy	1,050	128,679
Citizen's engagement	11,040	10,600
Other	<u>-</u>	<u>4,000</u>
Total net assets released from restrictions	<u>\$ 697,997</u>	<u>\$ 555,743</u>

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10. 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 \$32,478 and \$33,972 during 2013 and 2012, respectively, to the plan.

11. 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.

12. 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:

2014	\$ 24,500
2015	22,900
2016	21,900
2017	<u>8,000</u>
	<u>\$ 77,300</u>

Rent expense was approximately \$29,500 in 2013 and \$27,000 in 2012.

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13. Joint Costs

During the years ended March 31, 2013 and 2012, NRCM conducted activities that included requests for contributions as well as programmatic content. Those activities included direct mail campaigns, special events, and membership brochures. The costs of conducting those activities during 2013 and 2012 included a total of \$60,597 and \$54,511, respectively, of joint costs, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

	<u>2013</u>	<u>2012</u>
Development and fundraising	\$ 35,515	\$ 37,459
Communications and general advocacy	<u>25,082</u>	<u>17,052</u>
	<u>\$ 60,597</u>	<u>\$ 54,511</u>

14. 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.

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Assets measured at fair value on a recurring basis as of March 31, 2013 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	\$ 203,819	\$ -	\$ -	\$ 203,819
Cash investments	206,620	206,620	-	-
Mutual funds				
Equity - international	26,146	26,146	-	-
Equity - other	229,748	229,748	-	-
Exchange traded funds				
Equity	1,486,897	1,486,897	-	-
International	1,103,079	1,103,079	-	-
Emerging markets	230,743	230,743	-	-
Bonds	385,380	385,380	-	-
Commodities	412,304	412,304	-	-
Real estate	<u>711,758</u>	<u>711,758</u>	-	-
	<u>\$ 4,284,736</u>	<u>\$ 4,792,675</u>	<u>\$ -</u>	<u>\$ 203,819</u>

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	-	-
Equities	789,960	789,960	-	-
Mutual funds				
Equity	2,104,239	2,104,239	-	-
Bonds	1,366,036	1,366,036	-	-
Exchange traded funds				
Bonds	15,883	15,883	-	-
Commodities	70,510	70,510	-	-
Real estate	13,685	13,685	-	-
Other	<u>128,651</u>	<u>128,651</u>	-	-
	<u>\$ 4,944,478</u>	<u>\$ 4,647,722</u>	<u>\$ -</u>	<u>\$ 296,756</u>

Donated services recognized in 2013 and 2012, respectively, measured at fair value using significant unobservable inputs at the date of the gifts totaled \$157,321 and \$103,282 using the income approach.

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The fair value of the Level 3 real estate held in trust is based upon the expected selling price of the real estate, adjusted for certain selling costs. The fair value for other Level 3 assets is based upon the present value of expected cash flows using current market interest rates.

Significant activity for assets measured at fair value on a recurring basis using significant unobservable inputs are as follows:

	Gift of Future Interest - <u>Real Estate</u>	Gift of Future Interest - <u>Other</u>
March 31, 2011	\$ -	\$ 90,188
Contributions/additions	183,000	-
Change in value	<u>-</u>	<u>23,568</u>
March 31, 2012	183,000	113,756
Contributions/additions	-	12,500
Change in value	<u>(113,000)</u>	<u>7,563</u>
March 31, 2013	<u>\$ 70,000</u>	<u>\$ 133,819</u>

