BerryDunn

Island Institute

FINANCIAL STATEMENTS

June 30, 2024 and 2023

With Independent Auditor's Report

BerryDunn

BDMP Assurance, LLP

INDEPENDENT AUDITOR'S REPORT

Board of Trustees and Management
Island Institute

Opinion

We have audited the accompanying financial statements of Island Institute (the Institute), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted auditing standards (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Institute as of June 30, 2023 were audited by Berry, Dunn, McNeil & Parker, LLC whose report dated January 30, 2024 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Institute's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

BDMP Assurance, LLP

Bangor, Maine
February 27, 2025

ISLAND INSTITUTE

Statements of Financial Position

June 30, 2024 and 2023

ASSETS

	2024	2023
Current assets		
Cash and cash equivalents	**$ 2,246,275**	$ 2,694,231
Accounts receivable, net	**398,251**	88,377
Notes receivable, current portion	**35,475**	-
Pledges and grants receivable, current portion	**546,325**	567,140
Prepaid expenses and deferred costs	**183,180**	152,006
Inventory	**337,102**	299,624
Total current assets	**3,746,608**	3,801,378
Other assets		
Long-term investments	**30,714,705**	29,014,253
Beneficial interest in perpetual trust	**2,006,988**	1,909,132
Pledges and grants receivable, non-current portion	**236,686**	150,533
Notes receivable, non-current portion, net of allowance	**64,281**	51,700
Cash surrender value of life insurance policy	**556,518**	530,203
Other	**77,845**	204,728
Right-of-use operating lease assets	**116,663**	51,386
Total other assets	**33,773,686**	31,911,935
Property and equipment		
Land and buildings	**2,299,558**	2,261,608
Boats	**76,918**	76,918
Electronic equipment	**809,526**	809,526
Furniture and fixtures	**202,349**	202,349
Total property and equipment	**3,388,351**	3,350,401
Less accumulated depreciation	**2,515,044**	2,417,172
Net property and equipment	**873,307**	933,229
Total assets	**$ 38,393,601**	$ 36,646,542

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

LIABILITIES AND NET ASSETS

	2024	2023
Current liabilities		
Accounts payable	**$ 338,760**	$ 398,391
Accrued expenses	**488,803**	428,907
Deferred revenue	**11,818**	23,596
Current portion of operating lease liabilities	**42,233**	26,463
Total current liabilities	**881,614**	877,357
Non-current liabilities		
Long-term debt, net of current portion	**100,000**	100,000
Operating lease liabilities, net of current portion	**74,047**	24,923
Total liabilities	**1,055,661**	1,002,280
Net assets		
Without donor restrictions		
Undesignated	**1,538,376**	2,604,615
Board-designated endowment	**13,363,911**	13,198,164
Net investment in property and equipment	**757,027**	881,843
Total net assets without donor restrictions	**15,659,314**	16,684,622
With donor restrictions	**21,678,626**	18,959,640
Total net assets	**37,337,940**	35,644,262
Total liabilities and net assets	**$ 38,393,601**	$ 36,646,542

ISLAND INSTITUTE

Statements of Activities

Years Ended June 30, 2024 and 2023

	2024 Without Donor Restrictions	2024 With Donor Restrictions	2024 Total	2023 Without Donor Restrictions	2023 With Donor Restrictions	2023 Total
Support and revenue						
Support						
Grants	$ -	$ 465,816	$ 465,816	$ -	$ 240,916	$ 240,916
Contributions	2,383,354	3,077,742	5,461,096	5,756,863	881,249	6,638,112
Gifts in-kind	-	-	-	6,000	-	6,000
Total support	2,383,354	3,543,558	5,926,912	5,762,863	1,122,165	6,885,028
Revenue						
Publications	52,198	-	52,198	51,648	-	51,648
Earned income	151,420	-	151,420	154,613	-	154,613
Archipelago store sales	713,034	-	713,034	606,877	-	606,877
Net investment income, excluding unrealized gain	532,740	591,638	1,124,378	1,695,897	2,124,789	3,820,686
Change in beneficial interest in perpetual trust	-	97,856	97,856	-	21,439	21,439
Other income	84,872	-	84,872	51,040	-	51,040
Total revenue	1,534,264	689,494	2,223,758	2,560,075	2,146,228	4,706,303
Change in donor restriction	-	-	-	53,879	(53,879)	-
Net assets released from restrictions	3,070,108	(3,070,108)	-	3,395,359	(3,395,359)	-
Total support and revenue (losses)	6,987,726	1,162,944	8,150,670	11,772,176	(180,845)	11,591,331
Expenses						
Program services						
Center for Maine Economy	1,101,479	-	1,101,479	1,986,100	-	1,986,100
Center for Climate and Community	992,811	-	992,811	668,075	-	668,075
Center for Sustainable Communities	2,139,362	-	2,139,362	2,391,348	-	2,391,348
Creative Economies	1,028,000	-	1,028,000	861,037	-	861,037
Program Impacts and Centralized Resources	1,522,541	-	1,522,541	894,598	-	894,598
Brand Awareness	871,332	-	871,332	933,080	-	933,080
Total program services	7,655,525	-	7,655,525	7,734,238	-	7,734,238

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

ISLAND INSTITUTE

Statements of Activities
(Concluded)

Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Supporting services						
General and administrative	**$ 220,164**	**$ -**	**$ 220,164**	$ 290,507	$ -	$ 290,507
Philanthropy	**1,538,482**	**-**	**1,538,482**	1,167,367	-	1,167,367
Total supporting services	**1,758,646**	**-**	**1,758,646**	1,457,874	-	1,457,874
Total expenses	**9,414,171**	**-**	**9,414,171**	9,192,112	-	9,192,112
Total change in net assets before unrealized gain (loss) on investments	**(2,426,445)**	**1,162,944**	**(1,263,501)**	2,580,064	(180,845)	2,399,219
Unrealized gain (loss) on investments	**1,401,137**	**1,556,042**	**2,957,179**	(351,169)	(439,979)	(791,148)
Total change in net assets	**(1,025,308)**	**2,718,986**	**1,693,678**	2,228,895	(620,824)	1,608,071
Net assets, beginning of year	**16,684,622**	**18,959,640**	**35,644,262**	14,455,727	19,580,464	34,036,191
Net assets, end of year	**$ 15,659,314**	**$ 21,678,626**	**$ 37,337,940**	$ 16,684,622	$ 18,959,640	$ 35,644,262

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

ISLAND INSTITUTE

Statement of Functional Expenses

Year Ended June 30, 2024

	Program Services							Supporting Services			
	Center for Marine Economy	Center for Climate and Community	Center for Sustainable Communities	Creative Economies	Program Impacts and Centralized Resources	Brand Awareness	Total Program Services	General and Administrative	Philanthropy	Total Supporting Services	Total
Salaries and other personnel expenses	$ 674,874	$ 763,350	$ 1,323,555	$ 365,308	$ 663,825	$ 311,093	$ 4,102,005	$ 888,008	$ 1,127,643	$ 2,015,651	$ 6,117,656
Professional expenses	138,350	7,500	950	11,636	92,573	122,055	373,064	193,555	488	194,043	567,107
Printing and publications	-	-	105	-	17	191,034	191,156	771	33,964	34,735	225,891
Cost of goods sold	-	-	-	448,274	-	-	448,274	-	-	-	448,274
Scholarships	-	-	131,859	-	-	-	131,859	26,248	-	26,248	158,107
Operating	27,479	39,897	180,517	61,241	20,241	92,612	421,987	74,385	39,763	114,148	536,135
Events, meetings, and programs	6,580	14,832	26,592	4,280	1,221	3,704	57,209	41,360	55,574	96,934	154,143
Building maintenance and cleaning	-	-	-	2,251	-	-	2,251	150,227	-	150,227	152,478
Sponsorship	-	-	-	-	-	8,250	8,250	-	-	-	8,250
Grant expense	54,255	-	69,667	-	445,424	-	569,346	-	-	-	569,346
Bank fees	11	-	6	29,318	100	594	30,029	2,079	12,042	14,121	44,150
Equipment costs	2,743	4,414	7,471	607	6,050	8,210	29,495	12,950	1,734	14,684	44,179
IT costs	431	825	2,787	7,355	22,958	34,675	69,031	169,451	17,193	186,644	255,675
Other expenses	9,887	890	11,921	-	961	416	24,075	4,316	6,516	10,832	34,907
Program support services allocation	94,369	72,514	177,994	33,636	85,392	(41,353)	422,552	(519,259)	96,707	(422,552)	-
Total expenses before depreciation and indirect allocation	1,008,979	904,222	1,933,424	963,906	1,338,762	731,290	6,880,583	1,044,091	1,391,624	2,435,715	9,316,298
Depreciation	10,600	9,499	20,312	10,126	14,064	7,683	72,284	10,969	14,620	25,589	97,873
Total expenses before indirect allocation	1,019,579	913,721	1,953,736	974,032	1,352,826	738,973	6,952,867	1,055,060	1,406,244	2,461,304	9,414,171
Indirect allocation	81,900	79,090	185,626	53,968	169,715	132,359	702,658	(834,896)	132,238	(702,658)	-
Total expenses	$ 1,101,479	$ 992,811	$ 2,139,362	$ 1,028,000	$ 1,522,541	$ 871,332	$ 7,655,525	$ 220,164	$ 1,538,482	$ 1,758,646	$ 9,414,171

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

ISLAND INSTITUTE

Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services							Supporting Services			
	Center for Marine Economy	Center for Climate and Community	Center for Sustainable Communities	Creative Economies	Program Impacts and Centralized Resources	Brand Awareness	Total Program Services	General and Administrative	Philanthropy	Total Supporting Services	Total
Salaries and other personnel expenses	$ 608,582	$ 413,493	$ 1,342,350	$ 288,843	$ 492,691	$ 318,029	$ 3,463,988	$ 838,904	$ 805,107	$ 1,644,011	$ 5,107,999
Professional expenses	40,985	4,590	61,828	12,259	124,788	32,769	277,219	343,594	9,783	353,377	630,596
Printing and publications	273	113	291	115	8,539	181,247	190,578	234	40,068	40,302	230,880
Cost of goods sold	-	-	-	356,841	-	-	356,841	-	-	-	356,841
Scholarships	-	-	140,805	-	-	-	140,805	-	-	-	140,805
Operating	21,980	20,538	172,905	46,100	13,686	92,552	367,761	78,191	38,636	116,827	484,588
Events, meetings, and programs	12,864	1,101	24,904	6,954	2,033	41,623	89,479	26,882	21,352	48,234	137,713
Building maintenance and cleaning	-	-	300	-	-	-	300	156,201	-	156,201	156,501
Sponsorship	100	-	-	-	-	13,500	13,600	-	-	-	13,600
Grant expense	1,054,070	-	56,000	-	273,790	-	1,383,860	-	-	-	1,383,860
Bank fees	9	-	20	31,700	-	220	31,949	2,095	8,807	10,902	42,851
Equipment costs	3,363	396	2,937	3,784	1,728	5,536	17,744	9,840	6,138	15,978	33,722
IT costs	368	905	4,405	3,959	38,819	24,969	73,425	238,651	18,016	256,667	330,092
Other expenses	1,988	1,604	19,062	351	266	554	23,825	12,500	6,480	18,980	42,805
Program support services allocation	157,178	190,924	309,391	45,292	(226,287)	(3,495)	473,003	(577,160)	104,157	(473,003)	-
Total expenses before depreciation and indirect allocation	1,901,760	633,664	2,135,198	796,198	730,053	707,504	6,904,377	1,129,932	1,058,544	2,188,476	9,092,853
Depreciation	19,907	6,318	21,289	8,276	7,279	7,055	70,124	18,581	10,554	29,135	99,259
Total expenses before indirect allocation	1,921,667	639,982	2,156,487	804,474	737,332	714,559	6,974,501	1,148,513	1,069,098	2,217,611	9,192,112
Indirect allocation	64,433	28,093	234,861	56,563	157,266	218,521	759,737	(858,006)	98,269	(759,737)	-
Total expenses	$ 1,986,100	$ 668,075	$ 2,391,348	$ 861,037	$ 894,598	$ 933,080	$ 7,734,238	$ 290,507	$ 1,167,367	$ 1,457,874	$ 9,192,112

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

ISLAND INSTITUTE

Statements of Cash Flows

Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Change in net assets	**$ 1,693,678**	$ 1,608,071
Adjustments to reconcile change in net assets to net cash and cash equivalents (used) provided by operating activities		
Depreciation	**97,873**	99,259
Amortization of right-of-use operating lease assets	**28,890**	27,835
Change in pledge and grant discounts	**3,846**	(76,975)
Change in beneficial interest in perpetual trust	**(97,856)**	(21,439)
Change in cash surrender value of life insurance policy	**(26,315)**	(53,403)
Net realized and unrealized appreciation on investments	**(3,287,385)**	(2,467,787)
(Increase) decrease in		
Accounts receivable	**(309,874)**	(59,637)
Notes receivable	**(48,056)**	988,365
Prepaid expense and deferred costs	**(31,174)**	(9,693)
Inventory	**(37,478)**	(43,475)
Grants and pledges receivable	**(69,184)**	698,815
Other	**126,883**	55,774
(Decrease) increase in		
Accounts payable	**(59,631)**	(77,531)
Accrued expenses	**59,896**	109,983
Operating lease liabilities	**(29,273)**	(27,835)
Deferred revenue	**(11,778)**	12,229
Net cash (used) provided by operating activities	**(1,996,938)**	762,556
Cash flows from investing activities		
Purchases of property and equipment	**(37,951)**	(113,857)
Purchases of investments	**(2,578,656)**	27,667,960)
Proceeds from the sale of investments	**4,165,589**	28,211,683
Net cash provided by investing activities	**1,548,982**	429,866
Net (decrease) increase in cash and cash equivalents	**(447,956)**	1,192,422
Cash and cash equivalents, beginning of year	**2,694,231**	1,501,809
Cash and cash equivalents, end of year	**$ 2,246,275**	$ 2,694,231
Supplemental disclosure		
Cash paid for interest	**$ 2,005**	$ 2,000

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

Background Information

Island Institute (the Institute) is a 40-year-old non-profit organization whose mission is to work to boldly navigate climate and economic change with island and coastal communities to expand opportunities and deliver solutions. All of the Institute's programming is directly aligned to six strategic priorities informed by broad community input: center for marine economy, center for climate and community, center for sustainable communities, creative economies, program impacts and centralized resources, and brand awareness. Located in Rockland, Maine, the expert staff collaborate to meet community needs in an interdisciplinary and integrated way. The Institute acknowledges and responds to unexpected issues, and envisions a future where Maine islands and coastal communities thrive and lead as examples of sustainability.

1. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Institute have been prepared on the accrual basis of accounting. As a result, revenues and gains are reported when earned, and expenses and losses are recorded when incurred.

Basis of Presentation

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

> **Net assets without donor restrictions—**Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Institute. These net assets may be used at the discretion of the Institute's management and Board of Trustees.
>
> **Net assets with donor restrictions**—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Institute or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, the donors of the assets permit the Institute to use all or part of the income earned on related investments for general or specific purposes.

Recently Adopted Accounting Pronouncement

Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, and related guidance as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost. The adoption of Topic 326 during the year ended June 30, 2024 did not have a material impact on the financial statements of the Institute.

Cash and Cash Equivalents

Management considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, with the exceptions of brokerage cash balances and money market accounts held to finance certain annuity obligations of the Institute and similar items held as components of endowment assets, which are reported as long-term investments and are not considered to be cash equivalents.

Pledges and Grants Receivable

Pledges and grants are recognized as pledges and grants receivable when a donor or grantor makes an unconditional promise to give to the Institute. All donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions that are temporary in nature are reclassified to net assets without donor restrictions. Pledges and grants receivable, net of an estimated allowance for uncollectible amounts, are reported at the present value of estimated future cash flows using a discount rate commensurate with the risks involved. For the years ended June 30, 2024 and 2023, management considered all outstanding grant balances to be fully collectible, thus an allowance for uncollectible amounts was not deemed necessary.

The Institute received 14% and 58% of contributions from one donor during the years ended June 30, 2024 and 2023, respectively.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for expected credit losses through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts, history of uncollectible amounts and reasonable and supportable forecasts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. For the years ended June 30, 2024 and 2023, the Institute maintained no allowance for expected credit losses.

Inventory

Inventory is valued at the lower of cost (first-in, first-out basis) or market (net realizable value) and consists of publications and gift shop products. Contributed inventory is recorded at fair value on the date the inventory was received.

Investments

The Institute reports its investments at fair value, other than its investment in closely-held stock, which is carried at cost, which is not believed to differ materially from fair value. It is not practical to estimate the fair value of closely-held stock. The Institute identified no events or changes in circumstances that may have a significant adverse effect on the fair value of the closely-held stock.

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.

Income and net appreciation (depreciation) on investments of endowment and similar funds are reported as increases (decreases) in net assets with donor restrictions if 1) the term of the gift or the Board's interpretation of relevant state laws requires that they be added to the principal of a perpetual endowment fund, 2) the terms of the gift impose restrictions on the use of the income, or 3) absent donor stipulations, they are related to gifts of perpetual duration for which appropriation has not been made. Otherwise, income and appreciation (depreciation) on investment of endowment and similar funds are reported as increases (decreases) in net assets without donor restrictions.

Property and Equipment

Purchased land, buildings, and non-expendable equipment valued at $5,000 or more individually are capitalized and recorded at cost. Donated property and equipment is recorded at its estimated fair value at the date of donation. Such donations are reported as support without donor restrictions 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 Institute reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Buildings, boats, equipment, and furniture and fixtures are depreciated using the straight-line method over their estimated useful lives, which range from 5 to 30 years. Included in land and buildings is land in the amount of $85,919 at both June 30, 2024 and 2023.

Leases

Leases are classified as either operating or finance leases at the lease commencement date. Lease expense on operating leases is recognized over the expected lease term, on a straight-line basis, while expense on finance leases is recognized using the effective interest rate method. Lease expense on operating leases is reported as rental expense. For finance leases, right-of-use (ROU) assets are amortized, with the expense included in depreciation of property, plant, and equipment. Lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. The Institute uses the interest rate implicit within the lease to determine present value; however, if the implicit rate is not readily available, the Institute uses the risk-free rate.

Income Taxes

The Institute is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the Code). In addition, the Institute qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2) of the Code.

U.S. generally accepted accounting principles (U.S. GAAP) require management to evaluate tax positions taken by the Institute and recognize a liability if the Institute has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service and state taxing authorities. The Institute is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Use of Estimates

The presentation of financial statements in conformity with U.S. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting activities based on estimated time spent and other statistical data.

Revenue Recognition

Archipelago is a retail store, specializing in one-of-a-kind items made in Maine, that works to sustain the island and working waterfront communities. Revenues from Archipelago are primarily earned from store sales and are recognized upon the sale of goods.

Subsequent Events

In accordance with FASB ASC Topic 855-10, *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through February 27, 2025, which is the date these financial statements were available to be issued.

2. Pledges and Grants Receivable

Pledges and grants receivable are included in the financial statements and consisted of amounts due within the following time frames at June 30:

	2024	2023
Within one year	**$ 546,325**	$ 567,140
Between one and five years	**250,166**	160,167
	796,491	727,307
Less discount at 4%	**(13,480)**	(9,634)
	$ 783,011	$ 717,673

The Institute has been named in certain bequests that have not been recorded as they have not yet been through probate.

3. Investments

Investments were comprised of the following at June 30:

	2024	2023
Charitable gift annuity investments		
Money market funds	**$ 170,043**	$ 162,054
Other long-term investments		
Money market funds	**59,917**	60,060
Fixed income	**10,934,752**	10,330,029
Equities	**19,455,436**	18,367,553
Closely-held stock	**94,557**	94,557
Total other long-term investments	**30,544,662**	28,852,199
Total long-term investments	**$ 30,714,705**	$ 29,014,253

4. Endowment

At June 30, 2024 and 2023, the Institute held donor-restricted and board designated endowments amounting to $30,358,124 and $28,677,517, respectively. The purpose of these endowment funds is to provide investment income and gains to further various activities of the Institute.

The Institute follows the provisions of FASB ASC Topic 958-205-50-1A, *Reporting Endowment Funds*. Accordingly, the Institute is required to classify and report net assets associated with endowment funds, including those designated by the Board of Trustees to function as endowments, based on the existence or absence of donor-imposed restrictions. The Institute is also required to provide the following disclosures relating to its endowment activities.

Interpretation of Relevant Law—In accordance with the Maine Uniform Prudent Management of Institutional Funds Act (UPMIFA), the Institute has interpreted UPMIFA to require investment return on endowment funds with donor-imposed restrictions that are perpetual in nature to be restricted until appropriated by the Board of Trustees. Accordingly, except for explicit donor stipulations specifying reinvestment of some or all net investment return, net investment return on endowment funds with donor-imposed restrictions that are perpetual in nature is available for appropriation and is reported as increases (decreases) in net assets with donor restrictions, in accordance with the donor's stipulations, if any, concerning the purposes for which ordinary income may be used.

Absent explicit donor stipulations to the contrary, the Institute has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Institute retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity are subject to appropriation for expenditure by the Institute in a manner consistent with the standard of prudence by UPMIFA.

The Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund
- Purposes of the Institute and the donor-restricted endowment fund
- General economic conditions
- Possible effects of inflation and deflation
- Expected total return from income and the appreciation of investments
- Other resources of the Institute
- The Institute’s investment policies

Endowment Spending Policy—The Board of Trustees has approved an annual distribution of up to 4% of the average value of the endowment fund over the preceding 12 quarters to support current operations. Investment income, net of fees, is appropriated for expenditure immediately.

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). The Institute has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The Institute's current policy allows for continued spending from funds that are underwater. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. The Institute did not have any underwater endowment funds as of June 30, 2024 and 2023.

Endowment Investment Policy—The Institute's endowment assets are held in a variety of marketable securities, including money market instruments, equities, fixed income obligations, and a closely-held stock, aimed at providing an appropriate mix of current income, protection of principal, and long-term growth.

The Institute's endowment fund balances were comprised of the following as of June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	$ 13,363,911	$ -	$ 13,363,911
Donor-restricted endowments			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	12,675,995	12,675,995
Accumulated investment gains	-	4,318,218	4,318,218
Total	$ 13,363,911	$ 16,994,213	$ 30,358,124

Changes in the Institute's endowment fund balances for the year ended June 30, 2024 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 13,198,164	$ 15,479,353	$ 28,677,517
Investment return, net	1,725,680	2,147,679	3,873,359
Amounts appropriated for expenditure	(1,559,933)	(632,819)	(2,192,752)
Endowment net assets, end of year	$ 13,363,911	$ 16,994,213	$ 30,358,124

The Institute's endowment fund balances were comprised of the following as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	$ 13,198,164	$ -	$ 13,198,164
Donor-restricted endowments			
Original donor-restricted gift and amounts required to be maintained in perpetuity	-	12,675,995	12,675,995
Accumulated investment gains	-	2,803,358	2,803,358
Total	$ 13,198,164	$ 15,479,353	$ 28,677,517

Changes in the Institute's endowment fund balances for the year ended June 30, 2023 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 12,350,348	$ 14,411,712	$ 26,762,060
Contributions	4,150,000	10,000	4,160,000
Change in donor direction	53,879	(53,879)	-
Investment return, net	1,234,144	1,684,810	2,918,954
Amounts appropriated for expenditure	(4,590,207)	(573,290)	(5,163,497)
Endowment net assets, end of year	$ 13,198,164	$ 15,479,353	$ 28,677,517

5. Assets Measured at Fair Value on a Recurring Basis

In accordance with FASB ASC Topic 820-10 *Fair Value Measurement and Disclosure*, the Institute is required to disclose, for its assets and liabilities measured at fair value on a recurring basis, the sources and types of information, known as inputs, used to determine those fair value measurements.

Level 1: Level 1 inputs are quoted prices in active markets for identical assets and liabilities that an entity has the ability to access at a measurement date.

Level 2: Level 2 inputs are inputs other than quoted prices that are observable for the specific asset or liability, either directly or indirectly.

Level 3: Level 3 inputs are unobservable inputs for the asset or liability in which little or no market activity is available for the asset or liability at the measurement date.

The Institute follows the provisions of FASB ASU No. 2015-07: *Disclosure for Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent)*. This pronouncement removes the requirements to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share as a practical expedient and certain disclosure requirements.

Beneficial interest in perpetual trust are assets held by the Maine Community Foundation and are valued using the net asset value per share (NAV) as a practical expedient. As discussed in the "beneficial interest in perpetual trust" Note 6, upon transfer of the assets to the Maine Community Foundation, variance power over the assets is granted to the Maine Community Foundation, with no opportunity for redemption, and the Institute is designated the sole beneficiary.

The reported values of assets measured at fair value on a recurring basis are categorized as follows at June 30, 2024:

	Total	Level 1	Level 2	Level 3
Investments				
Money market funds	$ 229,960	$ 229,960	$ -	$ -
Fixed income				
Investment grade	8,522,840	8,522,840	-	-
Other	2,411,912	2,411,912	-	-
Equities				
Domestic	14,144,896	14,144,896	-	-
International	5,310,540	5,310,540	-	-
Total investments	30,620,148	$ 30,620,148	$ -	$ -
Cash surrender value of life insurance policy	556,518	$ -	$ 556,518	$ -
Beneficial interest in perpetual trust—measured at NAV	2,006,988			
Total assets measured at fair value on a recurring basis	$ 33,183,654			

The reported values of assets measured at fair value on a recurring basis are categorized as follows at June 30, 2023:

	Total	Level 1	Level 2	Level 3
Investments				
Money market funds	$ 222,114	$ 222,114	$ -	$ -
Fixed income				
Investment grade	8,051,333	8,051,333	-	-
Other	2,278,696	2,278,696	-	-
Equities				
Domestic	13,305,114	13,305,114	-	-
International	5,062,439	5,062,439	-	-
Total investments	28,919,696	$ 28,919,696	$ -	$ -
Cash surrender value of life insurance policy	530,203	$ -	$ 530,203	$ -
Beneficial interest in perpetual trust—measured at NAV	1,909,132			
Total assets measured at fair value on a recurring basis	$ 31,359,031			

Transfers between asset levels are recognized on the actual date of the event, or change in circumstances, that caused the transfer. There were no such transfers between levels during the years ended June 30, 2024 and 2023.

Fair value for cash surrender value of life insurance is equal to the cash surrender value of the life insurance policy and is categorized as Level 2 fair value measurement.

6. Beneficial Interest in Perpetual Trust

During 2003, the Institute was named an income beneficiary of a perpetual trust, which has subsequently been converted to an agency endowment fund held at the Maine Community Foundation. The Institute has granted variance power over these assets to the Maine Community Foundation, who may redirect distributions from this fund in the event that it deems distributions to the Institute to be, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Institute has reported the fair value of the allocable share of the underlying assets, which approximates the present value of the expected future cash flows from these assets, as a beneficial interest in a perpetual trust in the statements of financial position. A percentage of the market value of the funds, as determined by Maine Community Foundation, will be distributed annually for operations.

7. Long-term Debt

Long-term debt is comprised of a fixed rate (2%) limited recourse note payable through August 2026 to be used to support the Institute's micro financing program for local businesses.

The Institute has an unsecured line of credit agreement in the amount of $900,000 through March 01, 2025. Interest expense is payable monthly at the highest rate published in the Wall Street Journal (8.5% at June 30, 2024). There was no outstanding balance at June 30, 2024 and 2023 on this credit line.

8. Restrictions and Limitations of Net Asset Balances

Net assets with donor restrictions consist of the following:

	2024	2023
Endowment funds, with income restricted for		
Island education funds	**$ 2,859,875**	$ 2,859,875
Swan's Island Fellows	**688,431**	688,431
William Bingham Fellow	**699,615**	699,615
Deer Isle-Stonington Fellow	**400,000**	400,000
Vinalhaven Island Fellow	**472,952**	472,952
North Haven Fellow	**200,000**	200,000
Louis Cabot Fellow	**751,000**	751,000
Isleboro Fellow	**250,000**	250,000
Frenchboro Historical Building Maintenance Fund	**200,000**	200,000
Frenchboro Island Community Fund	**100,000**	100,000
Funds for Maine Islands	**1,622,581**	1,622,581
Kellogg Retirement Plan Fund	**1,010,300**	1,010,300
Isaacs-DeFrancis Fund	**102,783**	102,783
Glenn Community Impact Fund	**3,328,458**	3,318,458
Total endowment funds with income restricted	**12,685,995**	12,675,995
Pledges receivable restricted for endowment	**110,000**	120,000
Beneficial interest in perpetual trust	**2,006,988**	1,909,132
Total net assets to be held in perpetuity	**14,802,983**	14,705,127
Subject to appropriation and expenditure when a specified event or time occurs:		
Center for Marine Economy	**897,656**	175,500
Center for Climate and Community	**187,326**	66,388
Center for Sustainable Communities	**247,498**	70,868
Pledges to be realized—time restricted	**51,403**	102,271
Restricted excess endowment earnings	**4,318,218**	2,803,357
Shared allocation	**1,173,542**	1,036,129
Total subject to appropriation and expenditure	**6,875,643**	4,254,513
Total net assets with donor restrictions	**$ 21,678,626**	$18,959,640

9. Net Assets Released from Restrictions

Net assets released from donor restrictions are comprised of the following for the year ended June 30:

	2024	2023
Center for Marine Economy	**$ 683,993**	$ 1,246,497
Center for Climate and Community	**362,083**	96,785
Center for Sustainable Communities	**520,529**	392,459
Pledges realized—time restricted	**50,868**	81,615
Shared allocation	**354,000**	763,795
Appropriated endowment earnings	**632,819**	573,292
Grant revenues	**465,816**	240,916
Total net assets released from restrictions	**$ 3,070,108**	$ 3,395,359

10. Notes Receivable

Notes receivable presented within the statements of financial position include balances due under promissory notes amounting to $99,756 and $51,700 as of June 30, 2024 and 2023, respectively. These notes have been issued to local businesses as part of the Institute's economic development initiatives, and bear interest at fixed rates ranging from 5% to 8% and are repayable in monthly installments of principal and interest with final maturities extending through August 2024. The current portion of such notes receivable amounted to $35,475 at June 30, 2024, there was no current portion of notes receivable at 2023. Management has determined no allowance for uncollectible accounts is deemed necessary as of June 30, 2024 and a $6,700 allowance as of June 30, 2023.

11. Concentrations of Credit Risk Arising From Cash Deposits in Excess of Insured Limits

The Institute maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. Risk on bank deposit accounts has been mitigated through overnight sweep arrangements with financial institutions, which, by design, address federal insurance limits. The Institute has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash and cash equivalents.

12. Contingencies

The Institute participates in various intergovernmental grant programs, which may be subject to future program compliance audits by the grantors or their representatives. Accordingly, the Institute's compliance with applicable grant requirements may be established at some future date. The amount, if any, of liabilities arising from the disallowance of expenditures or ineligibility of grant revenues cannot be determined at this time.

13. Retirement Benefit Plan

The Institute offers a Section 403(b) retirement plan to its eligible employees, and currently matches employee contributions up to 6% of eligible employees' compensation. For the years ended June 30, 2024 and 2023, contributions to the plan were $226,227 and $147,457, respectively.

14. Leases

The Institute leases certain office equipment and rental space under the terms of operating leases with initial non-cancelable terms greater than one year. The operating lease agreements do not contain any options to extend beyond the original lease term.

The table below sets forth a reconciliation of total lease cost and supplemental statement of financial position information related to leases for the year ended June 30, 2024:

Lease cost	**2024**	2023
Operating lease cost	**$ 30,625**	$ 29,803
Short-term lease cost	**148,110**	140,783
Total lease cost	**$ 178,735**	$ 170,586
Operating lease weighted average remaining lease term	**3.99 years**	1.89 years
Operating lease weighted average discount rate	**4.17 %**	2.83 %
Cash paid for amounts included in the measurement of operating lease liabilities	**$ 31,008**	$ 29,803
Noncash transaction		
Lease liabilities arising from obtaining operating lease ROU asset	**$ 94,167**	$ 79,221

The following is a summary of future minimum lease payments for operating leases for the years ending June 30:

2025	$ 46,206
2026	20,988
2027	20,988
2028	20,988
2029	17,490
Total future minimum lease payments	126,660
Less amount of imputed interest	10,380
Present value of future minimum lease payments	116,280
Current portion of operating lease liabilities	42,233
Operating lease liabilities, excluding current portion	$ 74,047

15. Liquidity and Availability of Financial Assets

The Institute has the following financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure:

	2024	2023
Cash and cash equivalents	**$ 2,246,275**	$ 2,694,231
Accounts receivable, net	**398,251**	88,377
Notes receivable, current portion	**35,475**	-
Pledges and grants receivable, current portion, net	**546,325**	567,140
Endowment spending draw	**1,344,601**	1,050,185
Total financial assets	**4,570,927**	4,399,933
Less amounts not available to be used within one year:		
Cash restricted for perpetual investment	**10,000**	10,000
Total financial assets available at year end for current use	**$ 4,560,927**	$ 4,389,933

Included within cash and cash equivalents are donor contributions restricted for endowment to be held in perpetuity of $10,000 as of June 30, 2023 and 2024. In addition, portions of the endowment spending draw are donor restricted as to use. None of the remaining financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The current portion of the pledges receivable are subject to implied time restrictions, but are expected to be collected within one year.

The Institute's endowment funds consist of donor-restricted endowments and Board-designated quasi-endowment. As described in Note 4, the Institute's Board of Trustees has adopted an endowment spending policy under which an annual distribution of up to 4% of the average value of the endowment fund over the preceding 12 quarters to support current operations is approved. The Board of Trustees approved a one-time increase to the annual distribution for 2025 of 5%.

The Institute has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As more fully described in Note 7, the Institute has one committed line of credit in the amount of $900,000, which it could draw upon in the event of an unanticipated liquidity need. The Institute also maintains a Board-designated contingency reserve account within its invested funds, which is intended to be funded at $150,000 per year and may be drawn upon as needed and under certain conditions. No such funding occurred in 2024. The balance of this fund was $1,563,917 at June 30, 2024 and $1,429,049 at June 30, 2023. Additionally, although the Institute does not intend to spend from its Board-designated quasi-endowment fund other than amounts appropriated for general expenditure as part of its annual distribution, amounts from its Board-designated quasi-endowment fund could be made available if necessary. The Board authorized $1,100,000 and $1,700,000 in such draws during the years ended June 30, 2024 and 2023, respectively.