

**FRIENDS OF THE MOUNTAINS-TO-SEA TRAIL**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2014**

**MADDISON & CAISON, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS  
RALEIGH, NORTH CAROLINA

Independent Auditor's Report

To the Board of Directors  
Friends of the Mountains-to-Sea Trail  
Raleigh, North Carolina

We have audited the accompanying financial statements of Friends of the Mountains-to-Sea Trail ("FMST") which comprise the statements of financial position as of December 31, 2014 and 2013, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the 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 assessing 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 Friends of the Mountains-to-Sea Trail as of December 31, 2014 and 2013, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Maddison + Calton, LLP*

June 29, 2015

FRIENDS OF THE MOUNTAINS-TO-SEA TRAIL  
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013
<b>ASSETS</b>		
<b>Current assets</b>		
Cash & cash equivalents	\$ 259,311	\$ 197,800
Grants receivable	-	22,287
Donations receivable	10,917	6,864
Sales tax receivable	1,319	1,284
Inventory	977	815
Prepaid expenses	8,032	4,335
Total current assets	280,556	233,385
<b>Fixed assets</b>		
Equipment and furniture	8,811	7,352
Vehicles	3,102	3,102
Less accumulated depreciation	(7,489)	(6,486)
Net fixed assets	4,424	3,968
Deposits	375	375
<b>TOTAL ASSETS</b>	<b>\$ 285,355</b>	<b>\$ 237,728</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 1,460	\$ 3
Deferred income	610	555
Total current liabilities	2,070	558
<b>Net assets</b>		
Unrestricted, available for operations	165,801	162,574
Unrestricted, board designated	4,168	3,160
Temporarily restricted	113,316	71,436
Total net assets	283,285	237,170
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 285,355</b>	<b>\$ 237,728</b>

See accompanying accountant's report.  
See accompanying notes to financial statements.

FRIENDS OF THE MOUNTAINS-TO-SEA TRAIL  
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Support and revenues			
Contributions & grants	\$ 124,568	\$ 103,000	\$ 227,568
Donated services	8,562	-	8,562
Donated rent	3,900	-	3,900
Other non-cash donations	3,455	-	3,455
Program income	8,355	-	8,355
Inventory sales, net	2,322	-	2,322
Special events	7,975	-	7,975
Raffle income	4,228	-	4,228
Advertising income	400	-	400
Interest income	118	-	118
Temporarily restricted net assets released from restriction	61,120	(61,120)	-
Total support and revenues	<u>225,003</u>	<u>41,880</u>	<u>266,883</u>
Expenses			
Program services			
Trail building & maintenance	19,704	-	19,704
Education	133,344	-	133,344
Corridor acquisition	11,267	-	11,267
Advocacy	9,769	-	9,769
Total program services	<u>174,084</u>	<u>-</u>	<u>174,084</u>
Supporting services			
Management and general	20,531	-	20,531
Fundraising	26,153	-	26,153
Total supporting services	<u>46,684</u>	<u>-</u>	<u>46,684</u>
Total expenses	<u>220,768</u>	<u>-</u>	<u>220,768</u>
Change in net assets	4,235	41,880	46,115
Net assets - beginning of year	<u>165,734</u>	<u>71,436</u>	<u>237,170</u>
Net assets - end of year	<u>\$ 169,969</u>	<u>\$ 113,316</u>	<u>\$ 283,285</u>

See accompanying accountant's report.  
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FRIENDS OF THE MOUNTAINS-TO-SEA TRAIL  
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
Support and revenues			
Contributions & grants	\$ 156,882	\$ 80,881	\$ 237,763
Donated services	6,944	-	6,944
Donated rent	1,500	-	1,500
Other non-cash donations	4,783	-	4,783
Inventory sales, net	721	-	721
Raffle income	3,264	-	3,264
Interest income	99	-	99
Temporarily restricted net assets released from restriction	44,210	(44,210)	-
Total support and revenues	<u>218,403</u>	<u>36,671</u>	<u>255,074</u>
Expenses			
Program services			
Trail building & maintenance	89,495	-	89,495
Education	67,828	-	67,828
Corridor acquisition	16,488	-	16,488
Advocacy	11,918	-	11,918
Total program services	<u>185,729</u>	<u>-</u>	<u>185,729</u>
Supporting services			
Management and general	16,316	-	16,316
Fundraising	14,211	-	14,211
Total supporting services	<u>30,527</u>	<u>-</u>	<u>30,527</u>
Total expenses	<u>216,256</u>	<u>-</u>	<u>216,256</u>
Change in net assets	2,147	36,671	38,818
Net assets - beginning of year	<u>163,587</u>	<u>34,765</u>	<u>198,352</u>
Net assets - end of year	<u>\$ 165,734</u>	<u>\$ 71,436</u>	<u>\$ 237,170</u>

See accompanying accountant's report.  
See accompanying notes to financial statements.

FRIENDS OF THE MOUNTAINS-TO-SEA TRAIL  
STATEMENTS OF CASH FLOWS

	<u>Year Ended</u>	<u>December 31</u>
	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ 46,115	\$ 38,818
Depreciation	1,003	1,153
Fixed asset donations	-	(1,892)
Changes in		
Receivables	18,199	(20,712)
Prepaid expenses	(3,697)	(706)
Inventory	(162)	178
Deposits	-	-
Payables	1,457	(688)
Deferred income	55	(8,108)
	<u>62,970</u>	<u>8,043</u>
Net cash flows provided by operating activities		
Cash flows from investing activities		
Purchase of equipment and furniture	<u>(1,459)</u>	<u>(787)</u>
Net cash flows used by investing activities	<u>(1,459)</u>	<u>(787)</u>
Net increase in cash and cash equivalents	61,511	7,256
Cash and cash equivalents - beginning of year	<u>197,800</u>	<u>190,544</u>
Cash and cash equivalents - end of year	<u><u>\$ 259,311</u></u>	<u><u>\$ 197,800</u></u>

See accompanying accountant's report.  
See accompanying notes to financial statements.

FRIENDS OF THE MOUNTAINS-TO-SEA TRAIL  
SCHEDULE OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2014

	Program Services				
	Trail Building & Maintenance	Education	Trail Routing	Advocacy	Total
Salaries & benefits	\$ 4,822	\$ 77,681	\$ 8,743	\$ 7,552	\$ 98,798
Payroll taxes & fees	390	6,290	708	611	7,999
Contract services	2,090	8,574	-	-	10,664
Professional fees	206	2,036	-	781	3,023
Depreciation	39	624	70	60	793
Repairs & maintenance	815	-	-	-	815
Fees	143	227	-	-	370
Insurance	1,903	1,046	118	102	3,169
Memberships & subscriptions	-	240	-	-	240
Postage & mailing	16	1,462	24	3	1,505
Printing & copying	202	5,988	11	36	6,237
Rent & utilities	224	7,619	407	353	8,603
Supplies & tools	8,482	11,308	56	68	19,914
Telephone	31	2,499	124	122	2,776
Travel & meetings	341	7,450	1,006	81	8,878
Awards & grants	-	300	-	-	300
	<u>\$ 19,704</u>	<u>\$ 133,344</u>	<u>\$ 11,267</u>	<u>\$ 9,769</u>	<u>\$ 174,084</u>

See accompanying accountant's report.  
See accompanying note to financial statements.



Supporting Services

<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 11,458	\$ 14,667	\$ 124,923
928	1,188	10,115
-	1,395	12,059
6,691	-	9,714
92	118	1,003
-	-	815
13	281	664
154	197	3,520
-	-	240
127	1,389	3,021
56	1,755	8,048
534	1,133	10,270
339	3,160	23,413
129	769	3,674
10	101	8,989
-	-	300
<u>\$ 20,531</u>	<u>\$ 26,153</u>	<u>\$ 220,768</u>

FRIENDS OF THE MOUNTAINS-TO-SEA TRAIL  
SCHEDULE OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2013

	Program Services				
	Trail Building & Maintenance	Education	Trail Routing	Advocacy	Total
Salaries & benefits	\$ 4,623	\$ 38,490	\$ 11,817	\$ 5,854	\$ 60,784
Payroll taxes & fees	328	2,732	839	416	4,315
Contract services	63,562	6,845	-	-	70,407
Professional fees	280	840	-	4,564	5,684
Depreciation	70	587	179	89	925
Repairs & maintenance	485	311	11	6	813
Fees	3,844	18	-	100	3,962
Insurance	2,044	388	119	59	2,610
Memberships & subscriptions	-	175	-	-	175
Postage & mailing	6	1,460	11	-	1,477
Printing & copying	5	3,632	512	-	4,149
Rent & utilities	399	5,124	1,020	505	7,048
Supplies & tools	13,418	3,177	98	49	16,742
Telephone	69	2,309	154	98	2,630
Travel & meetings	362	1,440	1,728	178	3,708
Awards & grants	-	300	-	-	300
	\$ 89,495	\$ 67,828	\$ 16,488	\$ 11,918	\$ 185,729

See accompanying accountant's report.  
See accompanying note to financial statements.

Supporting Services

<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 9,088	\$ 5,926	\$ 75,798
645	421	5,381
75	-	70,482
4,860	-	10,544
138	90	1,153
8	5	826
-	100	4,062
92	60	2,762
-	-	175
115	1,358	2,950
131	2,351	6,631
785	512	8,345
109	2,092	18,943
235	714	3,579
35	582	4,325
-	-	300
<u>\$ 16,316</u>	<u>\$ 14,211</u>	<u>\$ 216,256</u>

FRIENDS OF THE MOUNTAINS-TO-SEA TRAIL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 and 2013

Note 1 - Organizational Purpose and Significant Accounting Policies

Friends of the Mountains-to-Sea Trail ("FMST") was incorporated in the State of North Carolina in 1997 and is a tax-exempt, nonprofit organization as defined under Section 501(c)(3) of the Internal Revenue Code. The mission of FMST is building, protecting and promoting a foot trail across the State of North Carolina for the enjoyment and education of people. FMST's four major programs are trail building and maintenance, education, trail routing, and advocacy. FMST's support consists primarily of contributions and grants.

The financial statements of FMST are prepared using the accrual basis of accounting. Consequently, grant and contribution income are recorded as awarded, per signed contract, or pledged and expenses are recorded as incurred.

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

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

Fixed assets are stated at cost at date of acquisition or at fair market value at the date of gift. Depreciation is recorded on a straight-line basis over the estimated useful life of the asset, typically three to seven years.

Inventory consists of T-shirts bearing the FMST logo. Inventory is stated at the lower of cost or market on an average cost basis. Inventory sales are presented net of cost of goods sold.

The costs of providing the various programs and other activities of FMST have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services.

FRIENDS OF THE MOUNTAINS-TO-SEA TRAIL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 and 2013

Note 1 - Organizational Purpose and Significant Accounting Policies (continued)

For purposes of the Statement of Cash Flows, FMST considers all money market accounts and highly liquid debt instruments with a maturity of less than three months to be cash equivalents.

FMST records as receivables any pledges that are unconditional promises to give and grants that have been awarded in writing. These pledges and grants receivable are classified as current or non-current based on the amount of time estimated to collect as indicated by the donor's stated intention. No allowance for uncollectible pledges or grants has been made, as FMST believes all will be collected.

FMST receives a substantial amount of services donated by its members and other volunteers in carrying out the FMST mission. No amounts have been recorded in the financial statements for those services since they do not meet the criteria for recognition under generally accepted accounting principles. Contributed services are recognized for those that require specialized skills. In addition, for the years ended December 31, 2014 and 2013, FMST recorded \$5,914 and \$6,944, respectively, in donated legal services with corresponding recognition of professional fees expense.

Note 2 - Concentration of Risk

Cash balances are deposited at a local financial institution in FMST's accounts, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2014, FMST had \$16,128 on deposit in excess of federally insured limits. FMST believes there is minimal risk regarding its cash and cash equivalents.

Note 3 – Board Designated Net Assets

Unrestricted, board designated net assets as of December 31, 2014 and 2013 consist of net income derived from the sale of FMST inventory.

Note 4 – NC Community Foundation Endowment

On December 1, 2010, FMST made a gift to the NC Community Foundation (the "Foundation") and signed an agreement to establish an agency endowment account in FMST's name. According to the agreement, the Foundation retains control over the gift, investing and distributing principal and interest according to its policies and procedures for such agency endowments. The Foundation has agreed to retain the principal amount of the gift as a permanent endowment and to make FMST the recipient of annual planned disbursements of income.

FRIENDS OF THE MOUNTAINS-TO-SEA TRAIL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 and 2013

Note 5 – Temporarily Restricted Net Assets

As of December 31, 2014 and 2013, FMST had net assets temporarily restricted for the following purposes:

	<u>2014</u>	<u>2013</u>
Foundation grant for future operations	\$ 30,000	\$ 45,000
Corporate grant	11,749	21,505
Government grant for bridge	-	2,998
Foundation grants	70,917	1,283
Other grants	<u>650</u>	<u>650</u>
Total	<u>\$ 113,316</u>	<u>\$ 71,436</u>

Note 6 – Retirement Plan

On July 1, 2008, FMST adopted a SIMPLE retirement plan for eligible employees. Employees may contribute up to the maximum allowed by law. FMST makes a contribution of up to 3% of salary for eligible employees. For each of the years ended December 31, 2014 and 2013, FMST recorded \$1,800 in retirement expense.

Note 7 - Lease Commitments

On December 17, 2014, FMST signed a 24-month lease for office space that begins on January 1, 2015 and ends on December 31, 2016. Rent is \$425 per month for 2015 and \$435 per month for 2016.

Note 8 – Concentrations

FMST received approximately 34% and 27% of its support from two sources for the years ended December 31, 2014 and 2013, respectively.

Note 9 – Related Party Transactions

FMST's Treasurer during 2013 was also on the Board of Directors of a foundation that gave \$45,000 to FMST during 2014.

Note 10 – Income Taxes

FMST is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been recorded on the financial statements.

FRIENDS OF THE MOUNTAINS-TO-SEA TRAIL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 and 2013

Note 11 – Subsequent Events

FMST's management has evaluated subsequent events through June 22, 2015, the date the financial statements were available to be issued.