

FRIENDS OF THE MOUNTAINS-TO-SEA TRAIL

FINANCIAL STATEMENTS

DECEMBER 31, 2015

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 ("Friends") which comprise the statements of financial position as of December 31, 2015 and 2014, 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, 2015 and 2014, 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.

May 19, 2016

Maddison & Carson, LLP

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

	December 31	
	2015	2014
ASSETS		
Current assets		
Cash & cash equivalents	\$ 238,224	\$ 259,311
Grants receivable	77,740	-
Donations receivable	10,929	10,917
Sales tax receivable	412	1,319
Inventory	2,037	977
Prepaid expenses	2,292	8,032
Total current assets	331,634	280,556
Fixed assets		
Equipment and furniture	9,527	8,811
Vehicles	3,102	3,102
Less accumulated depreciation	(8,045)	(7,489)
Net fixed assets	4,584	4,424
Other assets		
Deposits	375	375
Beneficial interest in assets held by community foundation	13,401	12,873
Total other assets	13,776	13,248
TOTAL ASSETS	\$ 349,994	\$ 298,228
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 4,146	\$ 1,460
Deferred income	805	610
Total current liabilities	4,951	2,070
Net assets		
Unrestricted, available for operations	182,517	165,801
Unrestricted, board designated	4,693	4,168
Temporarily restricted	144,432	113,316
Beneficial interest in assets held by community foundation	13,401	12,873
Total net assets	345,043	296,158
TOTAL LIABILITIES AND NET ASSETS	\$ 349,994	\$ 298,228

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, 2015

	Unrestricted	Temporarily Restricted	Beneficial Interest in Assets Held by Community Foundation	Total
Support and revenues				
Contributions & grants	\$ 139,695	\$ 106,000	\$ -	\$ 245,695
Donated services	5,130	-	-	5,130
Donated rent	3,000	-	-	3,000
Other non-cash donations	4,459	-	-	4,459
Program income	5,400	-	-	5,400
Inventory sales, net	1,338	-	-	1,338
Raffle income	2,670	-	-	2,670
Advertising income	2,470	-	-	2,470
Interest income	117	-	-	117
Gain on beneficial interest	-	-	528	528
Temporarily restricted net assets released from restriction	74,884	(74,884)	-	-
Total support and revenues	<u>239,163</u>	<u>31,116</u>	<u>528</u>	<u>270,807</u>
Expenses				
Program services				
Trail building & maintenance	20,122	-	-	20,122
Education	148,317	-	-	148,317
Corridor acquisition	2,851	-	-	2,851
Advocacy	11,424	-	-	11,424
Total program services	<u>182,714</u>	<u>-</u>	<u>-</u>	<u>182,714</u>
Supporting services				
Management and general	22,408	-	-	22,408
Fundraising	16,800	-	-	16,800
Total supporting services	<u>39,208</u>	<u>-</u>	<u>-</u>	<u>39,208</u>
Total expenses	<u>221,922</u>	<u>-</u>	<u>-</u>	<u>221,922</u>
Change in net assets	17,241	31,116	528	48,885
Net assets - beginning of year	<u>169,969</u>	<u>113,316</u>	<u>12,873</u>	<u>296,158</u>
Net assets - end of year	<u>\$ 187,210</u>	<u>\$ 144,432</u>	<u>\$ 13,401</u>	<u>\$ 345,043</u>

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	Beneficial Interest in Assets Held by Community Foundation	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
Gain on beneficial interest	-	-	655	655
Temporarily restricted net assets released from restriction	61,120	(61,120)	-	-
Total support and revenues	225,003	41,880	655	267,538
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	174,084	-	-	174,084
Supporting services				
Management and general	20,531	-	-	20,531
Fundraising	26,153	-	-	26,153
Total supporting services	46,684	-	-	46,684
Total expenses	220,768	-	-	220,768
Change in net assets	4,235	41,880	655	46,770
Net assets - beginning of year	165,734	71,436	12,218	249,388
Net assets - end of year	\$ 169,969	\$ 113,316	\$ 12,873	\$ 296,158

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

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

	Year Ended December 31	
	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ 48,885	\$ 46,770
Depreciation	1,081	1,003
Gain on beneficial interest in assets held by community foundation	(528)	(655)
Changes in		
Receivables	(76,845)	18,199
Prepaid expenses	5,740	(3,697)
Inventory	(1,060)	(162)
Payables	2,686	1,457
Deferred income	195	55
Net cash flows provided (used) by operating activities	<u>(19,846)</u>	<u>62,970</u>
Cash flows from investing activities		
Purchase of equipment and furniture	<u>(1,241)</u>	<u>(1,459)</u>
Net cash flows used by investing activities	<u>(1,241)</u>	<u>(1,459)</u>
Net increase (decrease) in cash and cash equivalents	(21,087)	61,511
Cash and cash equivalents - beginning of year	<u>259,311</u>	<u>197,800</u>
Cash and cash equivalents - end of year	<u>\$ 238,224</u>	<u>\$ 259,311</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, 2015

	Program Services				Total
	Trail Building & Maintenance	Education	Trail Routing	Advocacy	
Salaries & benefits	\$ 6,764	\$ 76,127	\$ 2,357	\$ 8,160	\$ 93,408
Payroll taxes & fees	551	6,193	193	661	7,598
Contract services	1,535	23,091	-	-	24,626
Professional fees	1,740	1,110	-	1,440	4,290
Depreciation	64	712	22	76	874
Repairs & maintenance	748	-	-	-	748
Fees	31	172	-	-	203
Insurance	3,219	350	11	38	3,618
Memberships & subscriptions	-	270	-	-	270
Postage & mailing	36	1,849	-	-	1,885
Printing & copying	42	16,255	-	235	16,532
Rent & utilities	357	7,056	124	430	7,967
Supplies & tools	4,674	7,548	16	56	12,294
Telephone	46	2,930	24	106	3,106
Travel & meetings	315	4,354	104	222	4,995
Awards & grants	-	300	-	-	300
	<u>\$ 20,122</u>	<u>\$ 148,317</u>	<u>\$ 2,851</u>	<u>\$ 11,424</u>	<u>\$ 182,714</u>

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Supporting Services

<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 13,361	\$ 8,799	\$ 115,568
1,087	717	9,402
-	90	24,716
5,890	-	10,180
125	82	1,081
-	-	748
525	241	969
61	41	3,720
-	-	270
136	1,331	3,352
101	1,729	18,362
735	465	9,167
151	1,907	14,352
210	875	4,191
26	523	5,544
-	-	300
<u>\$ 22,408</u>	<u>\$ 16,800</u>	<u>\$ 221,922</u>

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

	Program Services				Total
	Trail Building & Maintenance	Education	Trail Routing	Advocacy	
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 & 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
<hr/>		
<u>\$ 20,531</u>	<u>\$ 26,153</u>	<u>\$ 220,768</u>

FRIENDS OF THE MOUNTAINS-TO-SEA TRAIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

Note 1 - Organizational Purpose and Significant Accounting Policies

Friends of the Mountains-to-Sea Trail ("Friends") 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 Friends is building, protecting and promoting a foot trail across the State of North Carolina for the enjoyment and education of people. Friends' four major programs are trail building and maintenance, education, trail routing, and advocacy. Friends' support consists primarily of contributions and grants.

The financial statements of Friends 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 Friends logo. Inventory is stated at the lower of cost or net realizable value 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 Friends 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, 2015 and 2014

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

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

Friends 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 Friends believes all will be collected.

Friends receives a substantial amount of services donated by its members and other volunteers in carrying out the Friends 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, 2015 and 2014, Friends recorded \$5,130 and \$5,914, 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 Friends' accounts, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2015, Friends had no balances on deposit in excess of federally insured limits. Friends 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, 2015 and 2014 consist of net income derived from the sale of Friends inventory.

Note 4 - Beneficial Interest in Assets Held by Community Foundation

On December 1, 2010, Friends made a gift to the NC Community Foundation (the "Foundation") and signed an agreement to establish an agency endowment fund with Friends as the named beneficiary. According to the agreement, the Foundation has legal and fiduciary control of the assets in the fund, 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 Friends the recipient of annual planned disbursements of income.

FRIENDS OF THE MOUNTAINS-TO-SEA TRAIL
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015 and 2014

Note 4 – Beneficial Interest in Assets Held by Community Foundation (continued)

For years prior and for the year ended December 31, 2014, funds sent to the Foundation were expensed as grants. These payments have been reclassified to Friends' balance sheet for the year ended December 31, 2014, and net assets and related income have been adjusted accordingly. Because Friends is the named beneficiary of future distributions from the fund, it has recorded its beneficial interest in the assets held in these funds as a long-term asset at fair value in accordance with FASB ASC 958.

As of December 31, 2015, the assets related to Friends' beneficial interest are invested in the Foundation's larger portfolio, which is comprised of Level 1 investments according to FASB ASC 820-10's fair value hierarchy. Level 1 investments are those with quoted prices in active markets that Friends has the ability to access as of a given measurement date. The recorded fair value of this beneficial interest to Friends at December 31, 2015 is \$13,401.

Note 5 – Temporarily Restricted Net Assets

As of December 31, 2015 and 2014, Friends had net assets temporarily restricted for the following purposes:

	<u>2015</u>	<u>2014</u>
Foundation grant for future operations	\$ 15,000	\$ 30,000
Corporate grants	10,982	11,749
Eno River Bridge gift	25,000	-
Foundation grants	80,550	70,917
Government grant for marketing	11,250	-
Other grants	<u>1,650</u>	<u>650</u>
Total	<u>\$ 144,432</u>	<u>\$ 113,316</u>

Note 6 – Retirement Plan

On July 1, 2008, Friends adopted a SIMPLE retirement plan for eligible employees. Employees may contribute up to the maximum allowed by law. Friends makes a contribution of up to 3% of salary for eligible employees. For the years ended December 31, 2015 and 2014, Friends recorded \$2,239 and \$1,800 in retirement expense, respectively.

FRIENDS OF THE MOUNTAINS-TO-SEA TRAIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

Note 7 - Lease Commitments

On December 7, 2015, Friends signed a 12-month lease for office space that begins on January 1, 2016 and ends on December 31, 2016. Rent is \$775 per month for 2016 under this lease for a total lease commitment of \$9,300.

Note 8 – Concentrations

Friends received approximately 31% of its support from three sources and 34% of its support from two sources for the years ended December 31, 2015 and 2014, respectively.

Note 9 – Income Taxes

Friends 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.

Note 10 – Subsequent Events

Friends' management has evaluated subsequent events through May 19, 2016, the date the financial statements were available to be issued.