

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**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, 2016 and 2015, 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 audits 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, 2016 and 2015, 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.

July 10, 2017

*Maddison + Carson, LLP*

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

	December 31	
ASSETS	2016	2015
Current assets		
Cash & cash equivalents	\$ 153,941	\$ 238,224
Grants receivable	257,235	77,740
Pledges and other contributions receivable	68,715	10,929
Sales tax and other receivables	1,090	412
Inventory	3,725	2,037
Prepaid expenses	3,810	2,292
Total current assets	488,516	331,634
Fixed assets		
Equipment and furniture	16,519	12,629
Less accumulated depreciation	(8,965)	(8,045)
Net fixed assets	7,554	4,584
Other assets		
Deposits	375	375
Long-term pledges	25,567	-
Beneficial interest in assets held by community foundation	17,709	13,401
Total other assets	43,651	13,776
TOTAL ASSETS	\$ 539,721	\$ 349,994
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 944	\$ 4,146
Deferred revenue	53,806	805
Total current liabilities	54,750	4,951
Net assets		
Unrestricted, available for operations	205,963	182,517
Unrestricted, board designated	14,352	4,693
Temporarily restricted	246,947	144,432
Beneficial interest in assets held by community foundation	17,709	13,401
Total net assets	484,971	345,043
TOTAL LIABILITIES AND NET ASSETS	\$ 539,721	\$ 349,994

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, 2016

	Unrestricted	Temporarily Restricted	Beneficial Interest in Assets Held by Community Foundation	Total
<b>Support and revenues</b>				
Contributions & grants	\$ 403,117	\$ 200,006	\$ 3,687	\$ 606,810
Donated services	10,545	-	-	10,545
Donated rent	4,000	-	-	4,000
Other non-cash donations	14,738	-	-	14,738
Program income	5,739	-	-	5,739
Inventory sales, net	3,795	-	-	3,795
Raffle income	4,934	-	-	4,934
Advertising income	400	-	-	400
Interest income	111	-	-	111
Loss on donated securities	(94)	-	-	(94)
Gain on beneficial interest	-	-	621	621
Temporarily restricted net assets released from restriction	97,491	(97,491)	-	-
<b>Total support and revenues</b>	<u>544,776</u>	<u>102,515</u>	<u>4,308</u>	<u>651,599</u>
<b>Expenses</b>				
<b>Program services</b>				
Trail building & maintenance	271,633	-	-	271,633
Education	155,607	-	-	155,607
Corridor acquisition	33,458	-	-	33,458
Advocacy	1,786	-	-	1,786
<b>Total program services</b>	<u>462,484</u>	<u>-</u>	<u>-</u>	<u>462,484</u>
<b>Supporting services</b>				
Management and general	30,663	-	-	30,663
Fundraising	18,524	-	-	18,524
<b>Total supporting services</b>	<u>49,187</u>	<u>-</u>	<u>-</u>	<u>49,187</u>
<b>Total expenses</b>	<u>511,671</u>	<u>-</u>	<u>-</u>	<u>511,671</u>
<b>Change in net assets</b>	<b>33,105</b>	<b>102,515</b>	<b>4,308</b>	<b>139,928</b>
<b>Net assets - beginning of year</b>	<u>187,210</u>	<u>144,432</u>	<u>13,401</u>	<u>345,043</u>
<b>Net assets - end of year</b>	<u>\$ 220,315</u>	<u>\$ 246,947</u>	<u>\$ 17,709</u>	<u>\$ 484,971</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, 2015

	Unrestricted	Temporarily Restricted	Beneficial Interest in Assets Held by Community Foundation	Total
<b>Support and revenues</b>				
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)	-	-
<b>Total support and revenues</b>	<u>239,163</u>	<u>31,116</u>	<u>528</u>	<u>270,807</u>
<b>Expenses</b>				
<b>Program services</b>				
Trail building & maintenance	20,122	-	-	20,122
Education	148,317	-	-	148,317
Corridor acquisition	2,851	-	-	2,851
Advocacy	11,424	-	-	11,424
<b>Total program services</b>	<u>182,714</u>	<u>-</u>	<u>-</u>	<u>182,714</u>
<b>Supporting services</b>				
Management and general	22,408	-	-	22,408
Fundraising	16,800	-	-	16,800
<b>Total supporting services</b>	<u>39,208</u>	<u>-</u>	<u>-</u>	<u>39,208</u>
<b>Total expenses</b>	<u>221,922</u>	<u>-</u>	<u>-</u>	<u>221,922</u>
<b>Change in net assets</b>	17,241	31,116	528	48,885
<b>Net assets - beginning of year</b>	<u>169,969</u>	<u>113,316</u>	<u>12,873</u>	<u>296,158</u>
<b>Net assets - end of year</b>	<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  
STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ 139,928	\$ 48,885
Depreciation	1,170	1,081
Donated securities	(37,423)	-
Loss on donated securities	94	-
Gain on beneficial interest	(621)	(528)
Changes in		
Donated securities	37,329	-
Receivables	(263,526)	(76,845)
Prepaid expenses	(1,518)	5,740
Inventory	(1,688)	(1,060)
Payables	(3,202)	2,686
Deferred revenue	53,001	195
	<u>(76,456)</u>	<u>(19,846)</u>
Net cash used by operating activities		
Cash flows from investing activities		
Increase in beneficial interest	(3,687)	-
Purchase of equipment and furniture	(4,140)	(1,241)
	<u>(7,827)</u>	<u>(1,241)</u>
Net cash used by investing activities		
Net decrease in cash and cash equivalents	(84,283)	(21,087)
Cash and cash equivalents - beginning of year	<u>238,224</u>	<u>259,311</u>
Cash and cash equivalents - end of year	<u>\$ 153,941</u>	<u>\$ 238,224</u>

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FRIENDS OF THE MOUNTAINS-TO-SEA TRAIL  
SCHEDULE OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2016

	Program Services				
	Trail Building & Maintenance	Education	Trail Routing	Advocacy	Total
Salaries & benefits	\$ 5,111	\$ 81,993	\$ 8,540	\$ 882	\$ 96,526
Payroll taxes & fees	635	6,459	672	67	7,833
Contract services	154,959	30,318	20,000	-	205,277
Professional fees	1,698	1,601	1,248	128	4,675
Depreciation	624	354	76	4	1,058
Equipment rental & maintenance	1,243	-	-	-	1,243
Fees	237	-	-	504	741
Insurance	481	3,055	318	33	3,887
Memberships & subscriptions	-	270	-	-	270
Postage & mailing	72	2,686	-	1	2,759
Printing & copying	-	4,435	-	1	4,436
Rent & utilities	451	10,941	723	75	12,190
Supplies & tools	104,990	6,836	405	5	112,236
Telephone	70	2,760	120	10	2,960
Travel & meetings	144	2,771	1,356	76	4,347
Awards & grants	918	1,128	-	-	2,046
	<u>\$ 271,633</u>	<u>\$ 155,607</u>	<u>\$ 33,458</u>	<u>\$ 1,786</u>	<u>\$ 462,484</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>
\$ 14,723	\$ 8,531	\$ 119,780
1,160	672	9,665
-	-	205,277
11,315	-	15,990
70	42	1,170
-	-	1,243
666	200	1,607
549	318	4,754
-	-	270
137	644	3,540
40	2,920	7,396
1,246	722	14,158
96	3,244	115,576
300	966	4,226
361	265	4,973
-	-	2,046
<hr/>		
<u>\$ 30,663</u>	<u>\$ 18,524</u>	<u>\$ 511,671</u>

FRIENDS OF THE MOUNTAINS-TO-SEA TRAIL  
SCHEDULE OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2015

	Program Services				
	Trail Building & Maintenance	Education	Trail Routing	Advocacy	Total
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
Equipment rental & 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>

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

Supporting Services

<u>Management &amp; 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
\$ 22,408	\$ 16,800	\$ 221,922

FRIENDS OF THE MOUNTAINS-TO-SEA TRAIL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 and 2015

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.

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 apparel bearing the Friends logo and trail guides. 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.

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.

FRIENDS OF THE MOUNTAINS-TO-SEA TRAIL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 and 2015

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 estimates all will be collected. All long-term pledges receivable are expected to be collected by December 31, 2018.

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. For the years ended December 31, 2016 and 2015, Friends recorded \$10,545 and \$5,130, 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, 2016, 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, 2016 and 2015 consist of net income derived from the sale of Friends inventory and a reserve for 40<sup>th</sup> Anniversary events.

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, 2016 and 2015

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

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 with a corresponding segregation of net assets. As of December 31, 2016, 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, 2016 and 2015 was \$17,709 and \$13,401, respectively.

Note 5 – Deferred Revenue

Deferred revenue as of December 31, 2016 represents grants receivable in advance of project expenses for three trail maintenance grants awarded to Friends prior to December 31, 2016 by the North Carolina Department of Natural and Cultural Resources.

Note 6 – Line of Credit

On April 19, 2016, Friends opened a \$150,000 revolving line of credit with a local financial institution for use in the event that project expenses deplete operating cash before reimbursements are made by granting agencies. Draws on the line of credit accrue interest at an annual rate of prime plus .5% and are due in full at maturity on April 20, 2018. The line of credit had a zero balance as of December 31, 2016.

Note 7 – Temporarily Restricted Net Assets

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

	<u>2016</u>	<u>2015</u>
Corporate grants	10,257	5,982
Eno River Bridge gift	21,500	25,000
Falls Lake Bridge gifts	30,471	-
Foundation grants	46,612	95,550
Government grant for marketing	-	11,250
40th Anniversary gifts	134,085	5,000
Other grants	4,022	1,650
	<u>          </u>	<u>          </u>
Total	<u>\$246,947</u>	<u>\$144,432</u>

FRIENDS OF THE MOUNTAINS-TO-SEA TRAIL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 and 2015

Note 8 – 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, 2016 and 2015, Friends recorded \$3,146 and \$2,239 in retirement expense, respectively.

Note 9 - Lease Commitments

On December 1, 2016, Friends signed a 12-month lease for office space that begins on January 1, 2017 and ends on December 31, 2017. Rent is \$815 per month for 2016 under this lease for a total future lease commitment of \$9,780 as of December 31, 2016.

Note 10 – Concentrations

Friends received approximately 55% of its support from three sources and approximately 68% of its support from six sources for the year ended December 31, 2016.

Note 11 – Income Taxes

Friends is a tax-exempt, not-for-profit 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 has evaluated its tax positions as of December 31, 2016 and believes they exceed the “more likely than not” standard set by FASB ASC 740-10. Consequently, it has not recorded a liability for any potentially imposed taxes or any potentially unrecognized tax benefits.

Note 12 – Subsequent Events

Friends' management has evaluated subsequent events through July 10, 2017, the date on which the financial statements were available to be issued. No additional adjustments or disclosures were determined to be necessary.