

**UPSTATE FOREVER
GREENVILLE, SOUTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

**UPSTATE FOREVER
GREENVILLE, SOUTH CAROLINA**

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Greene Finney & Horton

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Upstate Forever
Greenville, South Carolina

We have audited the accompanying financial statements of Upstate Forever (a nonprofit organization), 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Upstate Forever as of December 31, 2014 and 2013, and the 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.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
May 26, 2015

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**UPSTATE FOREVER
GREENVILLE, SOUTH CAROLINA**

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2013)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2014 TOTAL	2013 TOTAL
ASSETS					
Cash	\$ 456,790	475,789	-	932,579	\$ 681,319
Marketable Securities	241,614	454,299	838,836	1,534,749	1,432,746
Deposits	1,200	-	-	1,200	1,200
Accounts Receivable	18,312	105,758	11,234	135,304	277,284
Long-Term Pledges Receivable, net	7,500	107,910		115,410	215,910
Prepaid Expenses	6,690	-	-	6,690	4,673
Other Current Assets	4,964	-	-	4,964	10,420
Land Held for Resale	1,000	359,550	20,000	380,550	470,820
Property and Equipment, net	716,260	189,566	-	905,826	901,008
TOTAL ASSETS	1,454,330	1,692,872	870,070	4,017,272	3,995,380
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts Payable	6,936	-	-	6,936	10,349
Deferred Revenue	-	-	-	-	4,055
Accrued Liabilities	46,347	100,232	-	146,579	50,852
TOTAL LIABILITIES	53,283	100,232	-	153,515	65,256
NET ASSETS					
Unrestricted	1,401,047	-	-	1,401,047	1,197,928
Temporarily Restricted	-	1,592,640	-	1,592,640	1,889,248
Permanently Restricted	-	-	870,070	870,070	842,948
TOTAL NET ASSETS	1,401,047	1,592,640	870,070	3,863,757	3,930,124
TOTAL LIABILITIES AND NET ASSETS	\$ 1,454,330	1,692,872	870,070	4,017,272	\$ 3,995,380

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

UPSTATE FOREVER
GREENVILLE, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2014 TOTAL	2013 TOTAL
PUBLIC SUPPORT AND REVENUE					
Public Support					
Grants	\$ -	549,007	-	549,007	\$ 1,185,852
Contributions	536,003	2,716	-	538,719	333,511
In-Kind Contributions	-	-	-	-	31,270
Membership	163,256	-	-	163,256	165,184
Land Trust Endowments	-	2,000	27,122	29,122	94,870
Transfers Between Funds	(36,814)	36,814	-	-	-
Net Assets Released from Restrictions	1,029,891	(1,029,891)	-	-	-
TOTAL PUBLIC SUPPORT	1,692,336	(439,354)	27,122	1,280,104	1,810,687
Revenue					
Consulting Fees	4,044	4,627	-	8,671	31,952
Special Events, net of Expenses	50,257	10,718	-	60,975	59,421
Interest Income	1,090	1,271	-	2,361	1,835
Investment Income	15,177	75,083	-	90,260	115,024
Bike Share Revenue	-	24,988	-	24,988	23,581
Other	1,099	26,059	-	27,158	5,118
TOTAL REVENUE	71,667	142,746	-	214,413	236,931
TOTAL PUBLIC SUPPORT AND REVENUE	1,764,003	(296,608)	27,122	1,494,517	2,047,618
EXPENSES					
Program					
Conservation Easements	55,000	-	-	55,000	456,800
Consulting Subcontract Costs	269,712	-	-	269,712	110,292
Other Program Costs	959,279	-	-	959,279	899,499
Management	93,498	-	-	93,498	79,249
Fundraising	183,395	-	-	183,395	185,090
TOTAL EXPENSES	1,560,884	-	-	1,560,884	1,730,930
CHANGE IN NET ASSETS	203,119	(296,608)	27,122	(66,367)	316,688
NET ASSETS, BEGINNING OF YEAR	1,197,928	1,889,248	842,948	3,930,124	3,613,436
NET ASSETS, END OF YEAR	\$ 1,401,047	1,592,640	870,070	3,863,757	\$ 3,930,124

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**UPSTATE FOREVER
GREENVILLE, SOUTH CAROLINA**

STATEMENT OF FUNCTIONAL EXPENSES

**FOR THE YEAR ENDED DECEMBER 31, 2014
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013)**

	OTHER PROGRAMS	MANAGEMENT	FUNDRAISING	2014 TOTAL	2013 TOTAL
EXPENSES					
Accounting Fees	\$ -	9,850	-	9,850	\$ 9,520
Advertising	17,940	-	823	18,763	11,307
Bank Charges	3,879	1,140	1,143	6,162	6,323
Computer Expense	20,300	4,307	3,948	28,555	16,121
Consultants	17,951	2,350	8,374	28,675	91,599
Copier and Copies	4,927	634	278	5,839	6,147
Depreciation	23,517	20,980	-	44,497	38,450
Education/Training	2,184	-	245	2,429	242
Asset Impairment Charge	90,270	-	-	90,270	55,924
Insurance	6,677	21,745	-	28,422	19,022
Licenses & Fees	998	1,761	220	2,979	11,619
Meeting & Conference	8,321	245	1,164	9,730	10,142
Miscellaneous	2,475	345	604	3,424	4,617
Organizational Dues	2,875	275	1,604	4,754	3,490
Overhead Allocation	78,791	(96,463)	17,672	-	-
Postage and Mailing	1,102	618	3,982	5,702	6,387
Printing	44,965	1,048	11,407	57,420	26,497
Records Management	-	720	-	720	774
Rent (Spartanburg Office)	15,840	-	-	15,840	15,070
Repairs & Maintenance	14,046	7,225	-	21,271	4,311
Salaries	492,079	87,951	110,282	690,312	670,180
Salaries - Payroll Taxes	36,846	6,585	8,276	51,707	51,146
Salaries - Employee Benefits	43,447	7,331	9,567	60,345	54,695
Salaries - Payroll Service	-	1,767	-	1,767	1,736
Salaries - Paid Time Off	-	1,045	-	1,045	(970)
Supplies	6,637	2,504	193	9,334	8,231
Telecommunications	8,235	5,427	978	14,640	14,680
Travel	14,078	299	2,635	17,012	22,256
Utilities	899	3,809	-	4,708	4,322
	<u>\$ 959,279</u>	<u>93,498</u>	<u>183,395</u>	<u>1,236,172</u>	<u>1,163,838</u>
Conservation Easements				55,000	456,800
Consulting Subcontract Costs				269,712	110,292
				<u>1,560,884</u>	<u>\$ 1,730,930</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**UPSTATE FOREVER
GREENVILLE, SOUTH CAROLINA**

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (66,367)	\$ 316,688
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Unrealized Loss/(Gain) on Marketable Securities	(46,849)	(84,551)
Depreciation	44,497	38,450
Changes in Operating Assets and Liabilities		
(Increase) Decrease Deposits, Prepaid Expenses and Other Current Assets	3,439	88,866
(Increase) Decrease Accounts Receivable	242,479	(74,801)
(Increase) Decrease Land Held for Resale	90,270	54,924
Increase (Decrease) in Liabilities	88,259	(96,412)
NET CASH PROVIDED BY OPERATING ACTIVITIES	355,728	243,164
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Purchase of Marketable Securities	(55,154)	(94,860)
Acquisition of Property and Equipment	(49,314)	(179,949)
NET CASH USED IN INVESTING ACTIVITIES	(104,468)	(274,809)
NET INCREASE/(DECREASE) IN CASH	251,260	(31,645)
CASH, BEGINNING OF YEAR	681,319	712,964
CASH, END OF YEAR	\$ 932,579	\$ 681,319

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**UPSTATE FOREVER
GREENVILLE, SOUTH CAROLINA**

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2013 TOTAL
ASSETS				
Cash	\$ 238,190	443,129	-	\$ 681,319
Marketable Securities	225,667	410,544	796,535	1,432,746
Deposits	1,200	-	-	1,200
Accounts Receivable	15,953	234,918	26,413	277,284
Long-Term Pledges Receivable, net	20,000	195,910	-	215,910
Prepaid Expenses	4,673	-	-	4,673
Other Current Assets	2,950	7,470	-	10,420
Land Held for Resale	1,000	449,820	20,000	470,820
Property and Equipment, net	737,240	163,768	-	901,008
TOTAL ASSETS	1,246,873	1,905,559	842,948	3,995,380
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable	10,127	222	-	10,349
Deferred Revenue	-	4,055	-	4,055
Accrued Liabilities	38,818	12,034	-	50,852
TOTAL LIABILITIES	48,945	16,311	-	65,256
NET ASSETS				
Unrestricted	1,197,928	-	-	1,197,928
Temporarily Restricted	-	1,889,248	-	1,889,248
Permanently Restricted	-	-	842,948	842,948
TOTAL NET ASSETS	1,197,928	1,889,248	842,948	3,930,124
TOTAL LIABILITIES AND NET ASSETS	\$ 1,246,873	1,905,559	842,948	\$ 3,995,380

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**UPSTATE FOREVER
GREENVILLE, SOUTH CAROLINA**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2013 TOTAL
PUBLIC SUPPORT AND REVENUE				
Public Support				
Grants	\$ -	1,185,852	-	\$ 1,185,852
Contributions	317,778	15,733	-	333,511
In-Kind Contributions	-	31,270	-	31,270
Membership	165,184	-	-	165,184
Land Trust Endowments	-	10,000	84,870	94,870
Transfers Between Funds	(21,140)	21,140	-	-
Net Assets Released from Restrictions	1,239,639	(1,229,639)	(10,000)	-
TOTAL PUBLIC SUPPORT	1,701,461	34,356	74,870	1,810,687
Revenue				
Consulting Fees	4,060	27,892	-	31,952
Special Events, net of Expenses	48,576	10,845	-	59,421
Interest Income	734	1,101	-	1,835
Investment Income	19,319	95,705	-	115,024
Bike Share Revenue	-	23,581	-	23,581
Other	3,486	1,632	-	5,118
TOTAL REVENUE	76,175	160,756	-	236,931
TOTAL PUBLIC SUPPORT AND REVENUE	1,777,636	195,112	74,870	2,047,618
EXPENSES				
Program				
Conservation Easements	456,800	-	-	456,800
Consulting Subcontract Costs	110,292	-	-	110,292
Other Program Costs	899,499	-	-	899,499
Management	79,249	-	-	79,249
Fundraising	185,090	-	-	185,090
TOTAL EXPENSES	1,730,930	-	-	1,730,930
CHANGE IN NET ASSETS	46,706	195,112	74,870	316,688
NET ASSETS, BEGINNING OF YEAR	1,151,222	1,694,136	768,078	3,613,436
NET ASSETS, END OF YEAR	\$ 1,197,928	1,889,248	842,948	\$ 3,930,124

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**UPSTATE FOREVER
GREENVILLE, SOUTH CAROLINA**

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2013

	OTHER PROGRAMS	MANAGEMENT	FUNDRAISING	2013 TOTAL
EXPENSES				
Accounting Fees	\$ -	9,520	-	\$ 9,520
Advertising	9,519	199	1,589	11,307
Bank Charges	3,658	1,009	1,656	6,323
Computer Expense	7,236	5,753	3,132	16,121
Consultants	85,141	6,300	158	91,599
Copier and Copies	4,981	563	603	6,147
Depreciation	16,181	22,269	-	38,450
Education/Training	-	-	242	242
Asset Impairment Charge	55,924	-	-	55,924
Insurance	6,197	12,825	-	19,022
Licenses & Fees	9,976	1,443	200	11,619
Meeting & Conference	8,155	(183)	2,170	10,142
Miscellaneous	3,953	292	372	4,617
Organizational Dues	2,305	250	935	3,490
Overhead Allocation	79,479	(99,085)	19,606	-
Postage and Mailing	1,189	2,245	2,953	6,387
Printing	12,675	1,323	12,499	26,497
Records Management	-	774	-	774
Rent (Spartanburg Office)	15,070	-	-	15,070
Repairs & Maintenance	78	4,233	-	4,311
Salaries	470,809	84,537	114,834	670,180
Salaries - Payroll Taxes	35,935	6,449	8,762	51,146
Salaries - Employee Benefits	38,618	6,823	9,254	54,695
Salaries - Payroll Service	-	1,736	-	1,736
Salaries - Paid Time Off	-	(970)	-	(970)
Supplies	3,870	3,065	1,296	8,231
Telecommunications	9,112	4,184	1,384	14,680
Travel	18,536	275	3,445	22,256
Utilities	902	3,420	-	4,322
	<u>\$ 899,499</u>	<u>79,249</u>	<u>185,090</u>	<u>1,163,838</u>
Conservation Easements				456,800
Consulting Subcontract Costs				110,292
				<u>\$ 1,730,930</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**UPSTATE FOREVER
GREENVILLE, SOUTH CAROLINA**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operation

Upstate Forever (the “Organization”) is a nonprofit organization founded in 1998 to promote sensible growth and the protection of special places in the Upstate region of South Carolina. The Organization accomplishes its mission through three major programs: Land Trust, Clean Air and Water, and Sustainable Communities. The Organization receives third-party donations, grants from state and federal governments, foundations and private industry, and investment income.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Net assets and revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions that may be or will be met either by actions of the Organization or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets that consist of an endowment fund held for the purpose of maintaining and monitoring conservation easements.

Cash and Cash Equivalents

For the statement of cash flows, the Organization considers all instruments with a maturity of three months or less at date of purchase to be cash equivalents.

Marketable Securities

Marketable securities consist primarily of publicly traded mutual funds, and are classified as available-for-sale. Such securities are carried at fair value based on quoted market prices, with any unrealized gains or losses reported as a change in unrestricted net assets or temporarily restricted net assets.

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code, and therefore has made no provision for federal income taxes in the accompanying financial statements.

Property and Equipment

Property and equipment with an estimated useful life of at least 2 years and with a cost or value equal to or greater than \$2,500 are recorded at cost if purchased, and recorded at fair market value if donated. Assets are depreciated on a straight line method.

**UPSTATE FOREVER
GREENVILLE, SOUTH CAROLINA**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Conservation Easements

A conservation easement is an agreement between a landowner and the Organization in which the landowner permanently relinquishes most or all of the rights to develop the property and agrees to other terms benefitting the public. The easement is publicly recorded, and is binding on all future owners of the property. The Organization's principal responsibility is to ensure compliance with the terms of the easement. It meets this responsibility by periodically inspecting the property and, if necessary, taking appropriate action to enforce the easement.

Each conservation easement received by the Organization provides that it cannot be transferred or assigned to any person or entity except to an organization that is qualified under the Internal Revenue Code to receive easements and that has the commitment, ability, and resources to meet its responsibilities and obligations under the easement and to take the necessary steps to protect the conservation values of the property. Accordingly, there is no market for any of the conservation easements received by the Organization.

Conservation easements donated to the organization are recorded at a zero value in the Statement of Financial Position, the Statement of Activities and the Statement of Functional Expenses. Conservation easements that are purchased are recorded at a zero value in the Statement of Financial Position, and are shown as an expense in the Statement of Activities, Statement of Functional Expenses and Statement of Cash Flows. The funding source that enables the purchase of these easements is shown as a revenue in the Statement of Activities and Statement of Cash Flows, resulting in a net zero effect on net assets.

The Organization believes that tracking the value of conservation easements under management is useful to gauge the significance of the ongoing responsibility to monitor these easements. Accordingly, for purposes of footnote disclosure only, conservation easements received by the Organization are disclosed at the value paid to acquire the conservation easement or the estimated value of the development rights relinquished under the easement, that is, the amount of the reduction in fair market value (as defined in IRS regulations) resulting from the easement at the date it is recorded. This value is generally established through qualified appraisals that are performed at or near the recording date. Where such an appraisal is not available, management makes its best estimate of the value based on relevant facts and circumstances. Values are not updated as they represent the historical cost at the date the easements were granted.

Grants

The Organization receives grants from federal, state and local governments, as well as from private organizations, to be used for specific programs or for the purchase of conservation easements. For government grants, the excess of reimbursable expenditures over cash receipts is included in accounts receivable.

Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Organization's management to make estimates and assumptions. These estimates and assumptions 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.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

**UPSTATE FOREVER
GREENVILLE, SOUTH CAROLINA**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 2 – FUNCTIONAL ALLOCATION OF EXPENSES

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

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Organization currently maintains bank accounts at four banks. Accounts at each institution were insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 as of December 31, 2014 and 2013. The Organization’s holdings exceeded the insured limits by \$2,199 and \$81,325, respectively. The Organization does not have a policy for requiring collateral for bank deposits in excess of federally insured limits.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

At December 31, 2014 and 2013, the Organization’s marketable securities were the only financial instruments carried at fair value on the statements of financial position in accordance with the FASB ASC 820-10 valuation hierarchy. These marketable securities were valued based upon Level 1 inputs, which are unadjusted quoted prices for identical assets in an active market.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014 and 2013.

Money market funds and mutual funds: Both are valued at the net asset value of shares held by the Organization at year end, based upon quoted prices in active markets that the Organization has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The Organization does not adjust the quoted price for such assets and liabilities.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 5 – MARKETABLE SECURITIES

The Organization’s marketable securities are reported at fair value in the statements of financial position, as noted above, and consist of the following:

<u>Description</u>	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Cash (Deposit-in-Transit)	\$ 3,750	\$ 100
Community Foundation Funds	18,936	17,153
Money Market Fund	52,331	82,747
Mutual Funds - Stocks	674,000	563,997
Mutual Funds - Bonds	426,584	493,451
Mutual Funds - Other	359,148	275,297
Total Marketable Securities	<u>\$ 1,534,749</u>	<u>\$ 1,432,746</u>

Total investment income on marketable securities of \$90,260 and \$116,125 includes \$46,894 and \$84,551 of unrealized gains for the years ended December 31, 2014 and 2013, respectively.

**UPSTATE FOREVER
GREENVILLE, SOUTH CAROLINA**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 6 – ENDOWMENT FUNDS

Land Trust Endowment

As part of the Organization’s Land Trust program, it receives gifts and contributions from individuals and entities to be used to ensure compliance with the terms of its conservation easements. (See Note 16 for a description of the Organization’s conservation easements).

The Land Trust Endowment Fund is comprised of three individual funds: the Permanent Restricted Fund, and two temporarily restricted funds, Monitoring and Defense. These funds include amounts invested in marketable securities, land held for resale and amounts receivable from donors.

Investment income earned on the marketable securities is allocated to the Defense and Monitoring Funds in order to provide continuing support for the Organization’s oversight responsibilities.

It is the written intent of most donors and the Organization that cumulative investment losses, if any, will not be reported in unrestricted net assets. Investment losses will be reported first in temporarily restricted net assets to the extent of cumulative investment earnings, net of appropriations for expenditures, and then in permanently restricted net assets. Future investment income will be used to restore losses, if any, in the permanently restricted assets before again being available for the temporarily restricted funds.

Unrestricted Endowment

In 2012 the Organization received a \$200,000 unrestricted gift. The Organization classified this as unrestricted net assets, and records investment earnings also as unrestricted. The Board of Directors approves when and how to use this unrestricted gift.

Accounting guidance

Temporarily restricted net assets are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the endowment fund.
- The purposes of the Organization and the endowment fund.
- General economic conditions.
- The possible effect of inflation or deflation.
- The expected total return from income and appreciation of investments.
- Other resources of the Organization.
- The investment policy of the Organization.

Investment Objective

The Organization’s investment objective is to attain an average annual real total return (net of investment management fees) with an acceptable margin of risk. The overall goal is for the fund, over the long term (rolling three-year periods), to achieve returns comparable to appropriate asset class indexes. The Organization has a diversified approach to investment that balances the goals of maximizing return with preservation of funds. By diversifying among asset classes, and rebalancing toward policy target allocations, the Organization expects to enhance real market value.

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FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 6 – ENDOWMENT FUNDS (CONTINUED)

Rebalancing asset allocations to policy targets is essential for maintaining the risk profile of this policy. When funds exceed established ranges, a rebalancing occurs, generally not more frequently than quarterly. Funds are diversified both by asset class and within asset class in accordance with the following guidelines: 60%-70% in equity securities, alternate investments and real estate, and 30%- 40% in fixed income funds (bonds and cash equivalents).

The Organization has chosen not to manage its underlying assets directly, but utilizes an independent investment manager to do so. The Executive Committee of the Organization meets annually with the investment manager to review and discuss the management of the Endowment Funds.

Changes in the Organization’s Endowment Funds, by net asset classification, for the year ended December 31, 2014 are summarized as follows:

Description	2014			
	Board Designated	Land Trust		Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Fund, Beginning of Year	\$ 225,667	412,544	842,948	\$ 1,481,159
Investment Gain	15,176	75,083	-	90,259
Contributions	1,250	2,000	27,122	30,372
Appropriation of Assets for Expenditure	(479)	(79,569)	-	(80,048)
Land Trust Endowment Fund, End of Year	<u>\$ 241,614</u>	<u>410,058</u>	<u>870,070</u>	<u>\$ 1,521,742</u>

Changes in the Organization’s Endowment Funds, by net asset classification, for the year ended December 31, 2013 are summarized as follows:

Description	2013			
	Board Designated	Land Trust		Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Fund, Beginning of Year	\$ 213,715	334,687	768,078	\$ 1,316,480
Investment Gain	19,319	95,705	-	115,024
Contributions	-	12,000	84,870	96,870
Appropriation of Assets for Expenditure	(7,367)	(29,848)	-	(37,215)
Revaluation of Property Held for Resale	-	-	(10,000)	(10,000)
Land Trust Endowment Fund, End of Year	<u>\$ 225,667</u>	<u>412,544</u>	<u>842,948</u>	<u>\$ 1,481,159</u>

The amount of endowment funds to be provided each year for operations is approved by the Organization’s Board of Directors. Appropriations were \$80,048 and \$37,215 during 2014 and 2013, respectively.

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FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 7 – ACCOUNTS RECEIVABLE

Accounts and long-term pledges receivable consist of the following amounts due to the programs and funds noted below:

Accounts Receivable

	<u>2014</u>	<u>2013</u>
Sustainable Communities Program	\$ 60,000	\$ 141,138
Land Trust Endowment Funds	11,234	26,413
Clean Air and Water Program	45,758	29,402
Land Trust Program	-	64,379
Other	18,312	15,952
Total	<u>\$ 135,304</u>	<u>\$ 277,284</u>

Long-Term Pledges Receivable

	<u>2014</u>	<u>2013</u>
Sustainable Communities Program	\$ 120,000	\$ 180,000
(Discount Long Term Receivable)	(12,090)	(12,090)
Clean Air and Water Program	-	3,000
Land Trust Program	-	25,000
Other	7,500	20,000
Total	<u>\$ 115,410</u>	<u>\$ 215,910</u>

NOTE 8 – TEMPORARILY RESTRICTED FUNDS

In 2014 and 2013 the Organization completed work under six major grants, continues work under two major grants and received three additional major grants. The work funded by these major grants is described below.

Land Use Planning for an Active, Healthy Community Grant – Completed

In 2010 and 2012 the Organization was awarded grants from the Mary Black Foundation to create land use planning and development strategies in support of active, healthy living in Spartanburg County, South Carolina. The first grant of \$120,000 ended on 12/31/12 with \$4,060 in carry-over funds; the second grant of \$117,000 ended on December 2014. The project was completed in 2014; the net deficit was covered with unrestricted funds.

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NOTE 8 – TEMPORARILY RESTRICTED FUNDS (CONTINUED)

Land Use Planning for an Active, Healthy Community Grant – Completed (continued)

The table below details the annual and grant to date activity.

	Inception Through 12/31/12	2013	2014	Total
Special Events Income	\$ 6,470	1,000	-	\$ 7,470
Restricted grants	237,000	-	-	237,000
Total Support and Revenue	243,470	1,000	-	244,470
	-			
Expenses	122,410	60,305	63,741	246,456
	-			
Change in Net Assets	\$ 121,060	(59,305)	(63,741)	\$ (1,986)

Community Design and Planning for Active, Healthy Communities - New

In December 2014 the Organization was awarded a grant from the Mary Black Foundation to advocate for active living policies, primarily in municipalities, and support comprehensive planning efforts. The Organization will also facilitate the Active Living Events Series. The grant is \$68,817 for one year.

	Inception Through 12/31/12	2013	2014	Total
Grants	\$ -	-	68,817	\$ 68,817
Direct Expenses	-	-	-	-
Change in Net Assets	\$ -	-	68,817	\$ 68,817

TD Housing Retrofits – Completed

On October 31, 2011, the organization was awarded \$100,000 by TD Charitable Foundation for a housing weatherization and energy saving program in Greenville, South Carolina. The program secured homeowner participation, completed weatherization retrofits, collected data about energy savings and costs, and evaluated the feasibility of a carbon offset bank to provide long term income for retrofit projects. The project was completed in 2013; the net deficit was covered with unrestricted funds.

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FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 8 – TEMPORARILY RESTRICTED FUNDS (CONTINUED)

TD Housing Retrofits – Completed (continued)

The table below details the annual and grant to date activity.

	Inception Through 12/31/12	2013	2014	Total
Restricted Grants				
Upstate Forever	\$ 26,150	-	-	\$ 26,150
Project Partners	73,850	-	-	73,850
Other Income	-	225	-	225
Total Support and Revenue	<u>100,000</u>	<u>225</u>	<u>-</u>	<u>100,225</u>
Direct Expenses				
Upstate Forever	21,482	7,525	-	29,007
Project Partners	73,625	4,950	-	78,575
Total Direct Expenses	<u>95,107</u>	<u>12,475</u>	<u>-</u>	<u>107,582</u>
Change in Net Assets	<u>\$ 4,893</u>	<u>(12,250)</u>	<u>-</u>	<u>\$ (7,357)</u>

Targeted Watershed Initiative Grant Program – Completed

On May 21, 2008, the Organization was awarded a targeted watershed initiative grant of \$1,099,994 beginning in May 2008 (\$799,994 from the U.S. Environmental Protection Agency and a \$300,000 matching grant from V. Kann Rasmussen Foundation). The purpose of this grant was to develop innovative, market-based incentives and programs for protecting and improving water quality in urban watersheds. The project was completed in 2014; the net deficit was covered with unrestricted funds.

The table below details the annual and grant to date activity.

	Inception Through 12/31/12	2013	2014	Total
Restricted grants				
EPA	\$ 724,397	62,113	13,484	\$ 799,994
Match	272,573	23,371	4,056	300,000
Total Support and Revenue	<u>996,970</u>	<u>85,484</u>	<u>17,540</u>	<u>1,099,994</u>
Direct expenses	<u>996,970</u>	<u>85,484</u>	<u>18,596</u>	<u>1,101,050</u>
Change in net assets	<u>\$ -</u>	<u>-</u>	<u>(1,056)</u>	<u>\$ (1,056)</u>

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NOTE 8 – TEMPORARILY RESTRICTED FUNDS (CONTINUED)

Sustainable Skylines Initiative Grants – Completed

On May 25, 2010, the Organization was awarded a sustainable skylines initiative grant of \$104,706 over 3 years beginning in May 2010 (\$90,000 from the U.S. Environmental Protection Agency and a \$14,706 matching grant from V. Kann Rasmussen Foundation). The purpose of this grant was to integrate transportation, energy, land use, and air quality initiatives into a comprehensive, regional collaboration aimed at achieving measureable air quality benefits. The project was completed in 2013; the net deficit was covered with unrestricted funds.

The table below details the annual and grant to date activity.

	Inception Through 12/31/12	2013	2014	Total
Restricted grants				
EPA	\$ 81,527	8,473	-	\$ 90,000
Match	13,327	1,379	-	14,706
Total Support and Revenue	<u>94,854</u>	<u>9,852</u>	<u>-</u>	<u>104,706</u>
	-			
Direct expenses	<u>94,854</u>	<u>10,383</u>	<u>-</u>	<u>105,237</u>
	-			
Change in net assets	<u>\$ -</u>	<u>(531)</u>	<u>-</u>	<u>\$ (531)</u>

Walnut Creek Nutrient Reduction Project (Section 319 Grant) - In Progress

On December 1, 2011, the organization signed a Section 319 grant agreement with the SC Department of Health and Environmental Control (“DHEC”) for nutrient reduction activities in the Walnut Creek watershed in Laurens County, South Carolina. The grant is \$371,175 over three years. The main focus of the project is to reduce nitrogen, phosphorus and sediment inputs to the Walnut Creek watershed and Lake Greenwood.

The table below details the annual and grant to date activity.

	Inception Through 12/31/12	2013	2014	Total
Restricted Grants				
EPA	\$ 19,852	49,407	68,964	\$ 138,223
Total Support and Revenue	<u>19,852</u>	<u>49,407</u>	<u>68,964</u>	<u>138,223</u>
Direct Expenses	<u>19,852</u>	<u>49,407</u>	<u>68,964</u>	<u>138,223</u>
Change in Net Assets	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>

As of December 31, 2014, estimated remaining funds to complete the grant are \$232,952, and the grant period has been extended to November 30, 2015.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 8 – TEMPORARILY RESTRICTED FUNDS (CONTINUED)

Creating a Watershed-Based Plan for the Big Creek, Craven Creek, Groove Creek and Hurricane Creek Watersheds in the Saluda River Basin (Section 319 Grant) - Completed

On October 4, 2012, the Organization received a Section 319 grant agreement from DHEC for developing a comprehensive and coordinated plan to achieve bacterial reductions in the above watersheds. The grant was \$62,190 over one year. The project was completed in 2013; the net deficit was covered with unrestricted funds.

The table below details the annual and grant to date activity.

	Inception Through 12/31/12	2013	2014	Total
Restricted grants				
EPA	1,464	60,727	-	62,191
Total Support and Revenue	1,464	60,727	-	62,191
Direct expenses	1,464	61,144	-	62,608
Change in net assets	-	(417)	-	(417)

Reducing Bacteria Levels in the Saluda River (Section 319 Grant) – New

In October 2014, the Organization received a Section 319 grant agreement from DHEC to implement recommendations from the watershed-based plan developed in the previous grant. A combination of agriculture, septic, and urban best management practices will be used in an effort to achieve the necessary reductions. The grant is \$120,342 over two years.

	Inception Through 12/31/12	2013	2014	Total
Grants	\$ -	-	8,475	\$ 8,475
Direct Expenses	-	-	8,475	8,475
Change in Net Assets	\$ -	-	-	\$ -

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NOTE 8 – TEMPORARILY RESTRICTED FUNDS (CONTINUED)

Reconnecting People to Rivers Initiative Grants – New

In 2014 the Organization launched a multi-year initiative to reconnect people to rivers. Coordinating with stakeholders throughout the region, the initiative will create and share blueway maps highlighting areas of public access for recreation and paddling. Additionally, it will coordinate an Adopt-a-Stream volunteer water quality monitoring program to engage citizens in the health of their local rivers and provide much needed water quality data. Once the organization has raised \$200,000 they will receive a \$100,000 challenge grant from the Callie and John Rainey Foundation. As of December 31, 2014 the Organization raised \$30,000 from Duke Energy and TD Bank.

	Inception Through 12/31/12	2013	2014	Total
Grants	\$ -	-	30,000	\$ 30,000
Direct Expenses	-	-	2,221	2,221
Change in Net Assets	\$ -	-	27,779	\$ 27,779

Bike Share Program - In Progress

Since 2012 the organization has been awarded several grants to purchase, install and operate a bike share system in Greenville as follows:

<u>Grantors</u>	<u>Total Grants</u>
Greenville Health System (“GHS”)	\$300,000 (over 5 years)
Greenville Transit Authority (“GTA”)	129,658
Greenville County Department of Parks, Recreation and Tourism District (“GCPRT”)	35,000
<u>Other Grants</u>	<u>19,850</u>
Total	\$484,508

Bike share is an emerging urban transportation program centered on the distribution of public bicycles for paid use by workers, residents, and visitors in downtown areas. On December 31, 2014 the program consisted of an 8 station, 35 bicycle network in downtown Greenville.

The bike share program was launched in April 2013, and the GTA and GCPRT grants were fully used. The Organization uses GHS funds, bike share user memberships, sponsorships, and other grants for the continued growth and operation of the program.

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FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 8 – TEMPORARILY RESTRICTED FUNDS (CONTINUED)

Bike Share Program - In Progress (Continued)

The table below details the annual and grant to date activity.

	Inception Through 12/31/12	2013	2014	Total
Revenue				
Grant from GTA	\$ 76,103	53,555	-	\$ 129,658
Grant from GHS	300,000	-	-	300,000
(Discount Long-Term Receivable)	(12,090)	-	-	(12,090)
Grant from GCPRT	-	35,000	-	35,000
Grants - Other	-	-	19,850	19,850
Total Grants	<u>364,013</u>	<u>88,555</u>	<u>19,850</u>	<u>472,418</u>
Bike Share Memberships and Sponsorships	720	23,581	24,988	49,289
In-Kind Contribution	-	31,270	-	31,270
Total Support and Revenue	<u>364,733</u>	<u>143,406</u>	<u>44,838</u>	<u>552,977</u>
Direct Expenses	<u>6,635</u>	<u>99,449</u>	<u>84,686</u>	<u>190,770</u>
Change in Net Assets	<u>\$ 358,098</u>	<u>43,957</u>	<u>(39,848)</u>	<u>\$ 362,207</u> **

** Included in the change in total net assets is the net value of the bike share equipment at December 31, 2014, \$189,566.

Swamp Rabbit Trail Extension – In Progress

In 2013 and 2014, the Organization received \$133,000 from the sources noted below to plan an extension of the Swamp Rabbit Trail from Greenville to the Clemson University International Center for Automotive Research (CU-ICAR) campus. The plan will identify potential trail extension routes and estimated costs for construction. The grants will also be used by the Organization in assisting in the drafting of a Pedestrian and Bicycle Plan for Greenville County.

	2014
Hollingsworth Funds	\$ 85,000
Graham Foundation	10,000
Daniel Mickel Foundation	10,000
City of Greenville	5,000
LiveWell Greenville	1,500
YMCA of Greenville	5,000
Proterra, Inc.	2,500
Community Foundation of Greenville	2,500
Other Grants	11,500
Total	<u>\$ 133,000</u>

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 8 – TEMPORARILY RESTRICTED FUNDS (CONTINUED)

The table below details the annual and grant to date activity.

	Inception Through 12/31/12	2013	2014	Total
Grants	\$ -	84,000	49,000	\$ 133,000
Direct Expenses	-	14,129	111,739	125,868
Change in Net Assets	\$ -	69,871	(62,739)	\$ 7,132

School Travel Plans - Completed

In April 2013, the Organization received US Department of Health and Human Services funding through a Community Transformation Grant-Small Communities Program from the YMCA of Greenville and LiveWell Greenville. The grant was for \$39,870 to assist in the drafting of “Safe Routes to School” travel plans at eight local schools. The project was completed in 2014; the net deficit was covered with unrestricted funds.

The table below details the annual and grant to date activity.

	Inception Through 12/31/12	2013	2014	Total
Grants	\$ -	20,614	19,256	\$ 39,870
Direct Expenses	-	20,614	21,733	42,347
Change in Net Assets	\$ -	-	(2,477)	\$ (2,477)

Major Nature Property – In Progress

In 2012, the Organization received a gift of 204 unimproved acres in Anderson County, South Carolina (popularly known as “Major Nature”) and a \$10,000 tax credit. As of December 31, 2012, the property was valued at \$495,744 (*net selling costs*) and the balance of the tax credit funds was \$7,079.

Due to market conditions and conservation easement restrictions, the property value was reduced to \$359,550 (*net selling costs*). The balance of the tax credit funds at December 31, 2014 was \$6,719.

At the date of this report, approximately one half of the property sold and the remainder is on the market, and the ensuing proceeds are restricted to Land Trust program operations.

South Carolina Conservation Bank - Complete

In 2014 and 2013, the Organization received \$55,000 and \$456,800, respectively from the South Carolina Conservation Bank for the purchase of conservation easements.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 8 – TEMPORARILY RESTRICTED FUNDS (CONTINUED)

Total Temporarily Restricted Funds

The Organization has remaining fund balances in the following temporarily restricted funds as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Major Grants		
Bike Share	\$ 362,207	\$ 402,054
Land Trust Endowment Funds (See Note 6)	410,058	412,544
Major Nature Property	359,550	449,820
Mary Black Land Use Planning	30	61,756
Mary Black Active Communities	68,817	-
Swamp Rabbit Trail Extension	7,132	69,871
Reconnecting People with Rivers	27,779	-
Other Grants		
Clean Air and Water Restricted	-	18,876
Land Trust Restricted	-	49,967
North Main Park	164,035	175,671
North Saluda Watershed	108,654	58,654
Recycling Matters	2,969	15,125
Rocky River	22,948	26,812
State Conservation Bank Funding	-	20,500
Web of Water Photo Book	10,402	59,146
Miscellaneous	48,059	68,452
Total	<u>\$ 1,592,640</u>	<u>\$ 1,889,248</u>

Transfers Between Funds

In 2014, the Organization transferred \$36,814 from unrestricted funds to temporarily restricted funds to cover program activities.

In 2013, the Organization transferred \$21,140 from unrestricted funds to temporarily restricted funds to cover program activities.

NOTE 9 – PROPERTY, EQUIPMENT AND DEPRECIATION

A summary of property and equipment is as follows:

	<u>2014</u>	<u>2013</u>
Property	\$ 833,097	\$ 833,097
Furniture	16,439	16,439
Equipment	20,636	20,636
Bike Share Equipment	229,265	179,949
Total Property and Equipment	<u>1,099,437</u>	<u>1,050,121</u>
Less Accumulated Depreciation	<u>(193,611)</u>	<u>(149,113)</u>
Property and Equipment, Net	<u>\$ 905,826</u>	<u>\$ 901,008</u>

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NOTE 10 – LEASE OBLIGATIONS

The Organization leased office space in Spartanburg, South Carolina from a third party for \$1,320 per month through December 31, 2014. Effective January 1, 2015 the rent was increased to \$1,390 per month. Rent expense was \$15,840 and \$15,070 for the years ending December 31, 2014 and 2013, respectively.

NOTE 11 – CONTINGENCIES

The Organization is dependent upon grants, contracts, and contributions. The Organization must apply for renewals of grants and contracts. Funding is subject to increases or decreases at the discretion of the contractors, grantors or donors.

The Organization's costs incurred under its governmental grants are subject to audit by government agencies. Management believes that disallowance of costs, if any, would not be material to the financial position or changes in net assets of the Organization.

On March 13, 2014, the Organization became a party to litigation involving enforcement of terms of a conservation easement. At December 31, 2014, the potential financial impact is approximately \$44,000 in legal costs. An accrued liability has been recorded in the financial statements for that amount.

NOTE 12 – CONSERVATION EASEMENT INSURANCE

The Organization is enrolled with the TerraFirma Risk Retention Group LLC, which provides insurance coverage for enforcement and defense of conservation easements under the terms of that policy.

NOTE 13 – RELATED PARTY TRANSACTIONS

The Organization's Executive Director is also a member of the Board of Directors of Naturaland Trust, which donated approximately 61 acres in conservations easements to the Organization during 2014. Naturaland Trust also holds a conservation easement on property owned by the organization and held for resale.

NOTE 14 – CONCENTRATION OF MEMBER CONTRIBUTIONS

The Organization received from one member approximately 35.7% and 16.5% of its total unrestricted contributions and membership revenues for 2014 and 2013, respectively.

NOTE 15 – SUBSEQUENT EVENTS

In February 2015 the Organization received notice of an unrestricted bequest in the amount of \$2,000,000.

The financial statements were issued on May 26, 2015 and subsequent events have been evaluated through that date.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 16 – CONSERVATION EASEMENTS

At December 31, 2014 the Organization had conservation easements on 94 sites in upper South Carolina and western North Carolina. A summary of conservation easements signed in 2013 and 2014 is as follows:

<u>County/State</u>	<u>Easement Acreage</u>	<u>Value Paid / Estimated Value of Development Rights Relinquished</u>
Balance at December 31, 2012	17,332	\$ 78,980,141
Pickens Greenville, Cherokee, and Oconee Counties, South Carolina		
Total Easements Completed 2013	<u>972</u>	<u>2,638,001</u>
Pickens Greenville and Oconee Counties, South Carolina		
Total Easements Completed 2014	<u>212</u>	<u>442,000</u>
Grand Total	<u><u>18,516</u></u>	<u><u>\$ 82,060,142</u></u>