

**UPSTATE FOREVER
GREENVILLE, SOUTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

**UPSTATE FOREVER
GREENVILLE, SOUTH CAROLINA**

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Greene, Finney & Horton, LLP

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, 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 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, 2016 and 2015, 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
April 24, 2017

GFHLLP.COM · INFO@GFHLLP.COM

GREENVILLE, SC
864.451.7381

MAULDIN, SC
864.232.5204

MOUNT PLEASANT, SC
843.735.5805

SPARTANBURG, SC
864.232.5204

ASHEVILLE, NC
828.771.0847

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UPSTATE FOREVER
GREENVILLE, SOUTH CAROLINA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2016 TOTAL</u>	<u>2015 TOTAL</u>
ASSETS					
Cash	\$ 305,357	841,541	-	1,146,898	\$ 1,077,795
Marketable Securities	2,203,854	445,946	977,760	3,627,560	3,499,534
Deposits	1,200		-	1,200	1,200
Accounts Receivable	-	133,679	31,975	165,654	199,092
Long-Term Pledges Receivable, net	-	31,000	16,631	47,631	129,748
Prepaid Expenses	2,313		-	2,313	5,284
Other Current Assets	2,074		-	2,074	6,087
Land Held for Resale	1,000		-	1,000	1,000
Due to/from other Funds	-	(966)	966	-	-
Property and Equipment, net	675,187	134,762	-	809,949	857,571
TOTAL ASSETS	<u>\$ 3,190,985</u>	<u>1,585,962</u>	<u>1,027,332</u>	<u>5,804,279</u>	<u>\$ 5,777,311</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts Payable	\$ 2,198	-	-	2,198	\$ 32,194
Accrued Liabilities	49,310	10,000	-	59,310	52,157
TOTAL LIABILITIES	<u>51,508</u>	<u>10,000</u>	<u>-</u>	<u>61,508</u>	<u>84,351</u>
NET ASSETS					
Unrestricted	3,139,477	-	-	3,139,477	3,160,498
Temporarily Restricted	-	1,575,962	-	1,575,962	1,596,490
Permanently Restricted	-	-	1,027,332	1,027,332	935,972
TOTAL NET ASSETS	<u>3,139,477</u>	<u>1,575,962</u>	<u>1,027,332</u>	<u>5,742,771</u>	<u>5,692,960</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,190,985</u>	<u>1,585,962</u>	<u>1,027,332</u>	<u>5,804,279</u>	<u>\$ 5,777,311</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

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2016 TOTAL	2015 TOTAL
PUBLIC SUPPORT AND REVENUE					
Public Support					
Grants	\$ -	1,720,435	-	1,720,435	\$ 1,512,809
Contributions	346,377	3,547	-	349,924	255,820
Membership	153,424	-	-	153,424	169,438
Land Trust Endowments	-	16,000	90,394	106,394	91,610
Legacies and Bequests	15,000	-	-	15,000	2,000,000
Transfers Between Funds	(59,549)	59,549	-	-	-
Net Assets Released from Restrictions	1,974,042	(1,974,042)	-	-	-
TOTAL PUBLIC SUPPORT	2,429,294	(174,511)	90,394	2,345,177	4,029,677
Revenue					
Consulting Fees	4,040	21,782	966	26,788	22,726
Special Events, net of Expenses	22,205	24,634	-	46,839	43,722
Interest Income	2,089	749	-	2,838	3,179
Investment Income	166,030	76,959	-	242,989	(63,384)
Bike Share Revenue	-	27,986	-	27,986	31,310
Other	3,584	1,873	-	5,457	11,211
TOTAL REVENUE	197,948	153,983	966	352,897	48,764
TOTAL PUBLIC SUPPORT AND REVENUE	2,627,242	(20,528)	91,360	2,698,074	4,078,441
EXPENSES					
Program					
Conservation Easements	1,255,500	-	-	1,255,500	772,000
Consulting Subcontract Costs	67,735	-	-	67,735	94,377
Other Program Costs	929,453	-	-	929,453	1,062,328
Management	100,567	-	-	100,567	129,990
Fundraising	295,008	-	-	295,008	190,543
TOTAL EXPENSES	2,648,263	-	-	2,648,263	2,249,238
CHANGE IN NET ASSETS	(21,021)	(20,528)	91,360	49,811	1,829,203
NET ASSETS, BEGINNING OF YEAR	3,160,498	1,596,490	935,972	5,692,960	3,863,757
NET ASSETS, END OF YEAR	\$ 3,139,477	1,575,962	1,027,332	5,742,771	\$ 5,692,960

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, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)**

EXPENSES	OTHER PROGRAMS	MANAGEMENT	FUNDRAISING	2016 TOTAL	2015 TOTAL
Accounting Fees	\$ 475	10,250	-	10,725	\$ 10,200
Advertising	8,711	290	214	9,215	52,333
Bank Charges	4,323	-	2,941	7,264	8,735
Computer Expense	12,013	3,684	2,120	17,817	20,729
Consultants	80,883	14,495	11,291	106,669	81,175
Copier and Copies	3,363	1,254	-	4,617	6,493
Depreciation	27,402	20,220	-	47,622	48,255
Education/Training	3,517	1,017	842	5,376	2,117
Insurance	7,564	21,166	-	28,730	28,715
Licenses & Fees	493	251	-	744	3,807
Loss on Sale of Property	-	-	-	-	115,226
Meeting & Conference	14,914	986	1,034	16,934	19,035
Miscellaneous	850	986	283	2,119	3,797
Organizational Dues	13,680	550	1,300	15,530	7,178
Overhead Allocation	81,077	(112,872)	31,795	-	-
Postage and Mailing	2,133	754	2,730	5,617	6,390
Printing	14,109	1,331	9,065	24,505	23,952
Records Management	24	676	-	700	695
Rent (Spartanburg Office)	18,770	-	-	18,770	16,820
Repairs & Maintenance	16,318	6,679	-	22,997	24,193
Salaries	506,730	102,809	198,826	808,365	707,832
Salaries - Employee Benefits	35,578	7,577	14,133	57,288	63,902
Salaries - Paid Time Off	-	(3,721)	-	(3,721)	(210)
Salaries - Payroll Service	-	2,485	-	2,485	2,690
Salaries - Payroll Taxes	38,933	7,585	14,667	61,185	54,356
Salaries - Bonuses	-	-	-	-	31,835
Supplies	11,051	3,460	579	15,090	6,633
Telecommunications	7,527	4,613	1,080	13,220	14,040
Travel	18,405	122	2,108	20,635	17,345
Utilities	610	3,920	-	4,530	4,593
	<u>\$ 929,453</u>	<u>100,567</u>	<u>295,008</u>	<u>1,325,028</u>	<u>1,382,861</u>
Conservation Easements				1,255,500	772,000
Consulting Subcontract Costs				67,735	94,377
				<u>2,648,263</u>	<u>\$ 2,249,238</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, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 49,811	\$ 1,829,203
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Unrealized Loss/(Gain) on Marketable Securities	(164,101)	134,126
Loss/(Gain) on Sale of Land	-	115,226
Depreciation	47,622	48,255
Changes in Operating Assets and Liabilities		
(Increase) Decrease in Deposits, Prepaid Expenses and Other Current Assets	6,984	283
(Increase) Decrease in Accounts Receivable	115,555	(78,126)
Increase (Decrease) in Liabilities	(22,843)	(69,164)
NET CASH PROVIDED BY OPERATING ACTIVITIES	33,028	1,979,803
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Purchase of Marketable Securities	36,075	(2,098,911)
Proceeds from Sale of Land	-	264,324
NET CASH USED IN INVESTING ACTIVITIES	36,075	(1,834,587)
NET INCREASE/(DECREASE) IN CASH	69,103	145,216
CASH, BEGINNING OF YEAR	1,077,795	932,579
CASH, END OF YEAR	\$ 1,146,898	\$ 1,077,795

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, 2015

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2015 TOTAL
ASSETS				
Cash	\$ 303,085	774,710	-	\$ 1,077,795
Marketable Securities	2,197,826	392,785	908,923	3,499,534
Deposits	1,200	-	-	1,200
Accounts Receivable	26,733	145,453	26,906	199,092
Long-Term Pledges Receivable, net	-	129,748	-	129,748
Prepaid Expenses	5,284	-	-	5,284
Other Current Assets	6,087	-	-	6,087
Land Held for Resale	1,000	-	-	1,000
Due to/from other Funds	(143)	-	143	-
Property and Equipment, net	695,407	162,164	-	857,571
TOTAL ASSETS	\$ 3,236,479	1,604,860	935,972	\$ 5,777,311
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable	\$ 27,838	4,356	-	\$ 32,194
Accrued Liabilities	48,143	4,014	-	52,157
TOTAL LIABILITIES	75,981	8,370	-	84,351
NET ASSETS				
Unrestricted	3,160,498	-	-	3,160,498
Temporarily Restricted	-	1,596,490	-	1,596,490
Permanently Restricted	-	-	935,972	935,972
TOTAL NET ASSETS	3,160,498	1,596,490	935,972	5,692,960
TOTAL LIABILITIES AND NET ASSETS	\$ 3,236,479	1,604,860	935,972	\$ 5,777,311

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, 2015

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2015 TOTAL
PUBLIC SUPPORT AND REVENUE				
Public Support				
Grants	\$ -	1,512,809	-	\$ 1,512,809
Contributions	235,867	19,953	-	255,820
Membership	169,438	-	-	169,438
Land Trust Endowments	-	14,000	77,610	91,610
Legacies and Bequests	2,000,000	-	-	2,000,000
Transfers Between Funds	(9,328)	9,328	-	-
Net Assets Released from Restrictions	1,625,798	(1,614,090)	(11,708)	-
TOTAL PUBLIC SUPPORT	4,021,775	(58,000)	65,902	4,029,677
Revenue				
Consulting Fees	4,000	18,726	-	22,726
Special Events, net of Expenses	22,306	21,416	-	43,722
Interest Income	2,245	934	-	3,179
Investment Income	(43,367)	(20,017)	-	(63,384)
Bike Share Revenue	-	31,310	-	31,310
Other	1,730	9,481	-	11,211
TOTAL REVENUE	(13,086)	61,850	-	48,764
TOTAL PUBLIC SUPPORT AND REVENUE	4,008,689	3,850	65,902	4,078,441
EXPENSES				
Program				
Conservation Easements	772,000	-	-	772,000
Consulting Subcontract Costs	94,377	-	-	94,377
Other Program Costs	1,062,328	-	-	1,062,328
Management	129,990	-	-	129,990
Fundraising	190,543	-	-	190,543
TOTAL EXPENSES	2,249,238	-	-	2,249,238
CHANGE IN NET ASSETS	1,759,451	3,850	65,902	1,829,203
NET ASSETS, BEGINNING OF YEAR	1,401,047	1,592,640	870,070	3,863,757
NET ASSETS, END OF YEAR	\$ 3,160,498	1,596,490	935,972	\$ 5,692,960

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, 2015

EXPENSES	OTHER PROGRAMS	MANAGEMENT	FUNDRAISING	2015 TOTAL
Accounting Fees	\$ -	10,200	-	\$ 10,200
Advertising	48,345	213	3,775	52,333
Bank Charges	4,444	85	4,206	8,735
Computer Expense	15,015	4,320	1,394	20,729
Consultants	61,322	17,143	2,710	81,175
Copier and Copies	5,833	660	-	6,493
Depreciation	27,402	20,853	-	48,255
Education/Training	1,050	-	1,067	2,117
Insurance	6,385	22,330	-	28,715
Licenses & Fees	2,004	1,553	250	3,807
Loss on Sale of Property	115,226	-	-	115,226
Meeting & Conference	18,223	567	245	19,035
Miscellaneous	3,011	284	502	3,797
Organizational Dues	5,205	275	1,698	7,178
Overhead Allocation	77,746	(96,517)	18,771	-
Postage and Mailing	1,419	1,428	3,543	6,390
Printing	18,116	213	5,623	23,952
Records Management	-	695	-	695
Rent (Spartanburg Office)	16,820	-	-	16,820
Repairs & Maintenance	19,364	4,829	-	24,193
Salaries	485,984	104,531	117,317	707,832
Salaries - Employee Benefits	44,065	9,301	10,536	63,902
Salaries - Paid Time Off	-	(210)	-	(210)
Salaries - Payroll Service	-	2,690	-	2,690
Salaries - Payroll Taxes	37,278	8,070	9,008	54,356
Salaries - Bonuses	21,223	5,306	5,306	31,835
Supplies	4,370	2,060	203	6,633
Telecommunications	8,145	4,728	1,167	14,040
Travel	13,489	634	3,222	17,345
Utilities	844	3,749	-	4,593
	<u>\$ 1,062,328</u>	<u>129,990</u>	<u>190,543</u>	1,382,861
Conservation Easements				772,000
Consulting Subcontract Costs				94,377
				<u>\$ 2,249,238</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, 2016 AND 2015

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.

Revenue Recognition

The Organization recognizes revenue on grants either when received or when the funds have been expended (reimbursable grants) in accordance with grant requirements. Contributions are recognized when received or when a written pledge is received for contributions promised over more than one year.

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.

**UPSTATE FOREVER
GREENVILLE, SOUTH CAROLINA**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 note 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.

**UPSTATE FOREVER
GREENVILLE, SOUTH CAROLINA**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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. Accounts at each institution were insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 as of December 31, 2016 and 2015, and the Organization’s holdings exceeded the insured limits by \$0 and \$5,061, 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, 2016 and 2015, 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, 2016 and 2015.

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:

Description	December 31,	
	2016	2015
Cash and Deposit-in-Transit	\$ 11,520	\$ -
Community Foundation Funds	19,084	18,466
Money Market Fund	172,758	338,734
Mutual Funds - Stocks	2,206,948	1,843,912
Mutual Funds - Bonds	1,026,450	1,033,369
Mutual Funds - Other	190,800	265,053
Total Marketable Securities	<u>\$ 3,627,560</u>	<u>\$ 3,499,534</u>

**UPSTATE FOREVER
GREENVILLE, SOUTH CAROLINA**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 5 – MARKETABLE SECURITIES (CONTINUED)

Total investment income/(losses) on marketable securities of \$242,989 and (\$63,384) includes \$182,504 and (\$134,126) of unrealized gains/(losses) for the years ended December 31, 2016 and 2015, respectively. Investment fees are netted with Investment Income on the Statement of Activities in the amount of \$18,403 and \$5,874 for the years ended December 31, 2016 and 2015, respectively.

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 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 accounts 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

As of December 31, 2015, the Organization has received \$2,200,000 in unrestricted funds from one family, which the Board of Directors designated to be held as an endowment fund for future endeavors. The Organization classified these as unrestricted net assets, and records investment earnings also as unrestricted. The Board of Directors approves when and how to use these unrestricted gifts.

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.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 6 – ENDOWMENT FUNDS (CONTINUED)

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.

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 independent investment managers to do so. The Finance and Investment Committee of the Organization meets twice annually with the investment managers to review and discuss the management of the Endowment Funds.

The total fund balance is comprised of both marketable securities and other assets and liabilities of the Endowment Funds.

Changes in the Organization’s Endowment Funds, by net asset classification, for the year ended December 31, 2016 are summarized as follows:

Description	2016			
	Board Designated	Land Trust		Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Fund, Beginning of Year	\$ 2,197,826	394,745	935,972	\$ 3,528,543
Investment Gain	166,030	76,959	-	242,989
Contributions	200	16,000	91,360	107,560
Appropriation of Assets for Expenditure	(160,208)	(35,758)	-	(195,966)
Endowment Funds, End of Year	<u>\$ 2,203,848</u>	<u>451,946</u>	<u>1,027,332</u>	<u>\$ 3,683,126</u>

Changes in the Organization’s Endowment Funds, by net asset classification, for the year ended December 31, 2015 are summarized as follows:

Description	2015			
	Board Designated	Land Trust		Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Fund, Beginning of Year	\$ 241,614	410,058	870,070	\$ 1,521,742
Investment Gain	(43,367)	(20,017)	-	(63,384)
Contributions	2,000,000	14,000	77,610	2,091,610
Appropriation of Assets for Expenditure	(421)	(9,296)	(11,708)	(21,425)
Endowment Funds, End of Year	<u>\$ 2,197,826</u>	<u>394,745</u>	<u>935,972</u>	<u>\$ 3,528,543</u>

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 6 – ENDOWMENT FUNDS (CONTINUED)

The amount of endowment funds to be provided each year for operations is approved by the Organization's Board of Directors. Appropriations were \$195,966 and \$21,425 during 2016 and 2015, respectively.

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>2016</u>	<u>2015</u>
Sustainable Communities Program	\$ 83,000	\$ 72,000
Land Trust Endowment Funds	37,975	32,907
Clean Air and Water Program	44,679	67,328
Other	-	26,857
Total	<u>\$ 165,654</u>	<u>\$ 199,092</u>

Long-Term Pledges Receivable

	<u>2016</u>	<u>2015</u>
Clean Air and Water Program Receivable	\$ 31,000	\$ 120,000
(Discount Long Term Receivable)	-	(12,090)
Land Trust Endowment Funds	16,631	-
Other	-	7,500
Total	<u>\$ 47,631</u>	<u>\$ 115,410</u>

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FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 8 – TEMPORARILY RESTRICTED FUNDS

Temporarily restricted grants received in 2016 and 2015 are comprised of the following:

	<u>2016</u>	<u>2015</u>
Major Grants		
Saving Lake Greenwood	\$ 90,000	\$ -
Green Infrastructure	16,464	-
Mary Black Active Communities 2017	50,000	-
Mary Black Active Communities 2016	-	73,011
Bike Share	3,677	8,413
Reconnecting People with Rivers	126,127	84,580
Shaping Our Future	20,075	176,016
South Carolina Conservation Bank	1,255,500	772,000
Walnut Creek Nutrient Program	-	106,731
Saluda River Section 319 Grant	17,010	36,637
Other Grants		
Conversation Bank Funding	15,000	-
Duke Energy Transmission Lines Project	-	74,570
North Saluda Watershed	50,000	50,000
100 and Counting	-	25,000
Rocky River	5,095	1,043
Land Trust Restricted Grants	44,000	50,500
Highway 29	10,000	20,000
American Rivers	10,000	-
Miscellaneous	7,487	34,308
Total	<u><u>\$ 1,720,435</u></u>	<u><u>\$ 1,512,809</u></u>

In 2016 the Organization completed work under two major grants, continues work under five major grants and received three additional major grants. The work funded by these major grants is described below.

Saving Lake Greenwood – New

In 2016 the organization received a three-year \$90,000 grant from FujiFilm Manufacturing U.S.A., Inc.. The project is to reduce nutrients throughout the Reedy River and Lake Greenwood. The work will include:

- Advocacy to improve development and land use regulations to reduce pavement requirements and allow for low impact development/green infrastructure storm water solutions.
- Produce easy-to-understand report cards for major rivers and lakes across the Upstate to address water quality conditions and concerns.
- Educate dam owners on maintenance needs, potential liabilities and potential funding opportunities for voluntary dam removal.
- Coordinate educational events to draw public interest in the value of healthy rivers and lakes.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 8 – TEMPORARILY RESTRICTED FUNDS (CONTINUED)

Saving Lake Greenwood – New Continued

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

	Inception Through 12/31/14	2015	2016	Total
Grants	\$ -	-	90,000	\$ 90,000
Other Revenue	-	6,915	1,839	1,839
Total Revenue	-	6,915	91,839	91,839
Direct Expenses	-	-	26,509	26,509
Change in Net Assets	\$ -	6,915	65,330	\$ 72,245

Green Infrastructure – New

In 2016, the Organization received a \$15,000 grant from the Spartanburg Water System and \$1,464 in other revenue. This one-year project was to create and implement an outreach program to encourage green infrastructure retrofits in partnership with the Spartanburg County Stormwater Program. The project was successfully completed in 2016; the net deficit was covered with unrestricted funds.

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

	Inception Through 12/31/14	2015	2016	Total
Grants	\$ -	-	15,000	\$ 15,000
Other Revenue	-	-	1,464	1,464
Total Revenue	-	-	16,464	16,464
Direct Expenses	-	-	16,686	16,686
Change in Net Assets	\$ -	-	(222)	\$ (222)

Activating People and Policies to Build Health Communities 2017 – New

In October 2016 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 \$50,000 grant is for one year.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 8 – TEMPORARILY RESTRICTED FUNDS (CONTINUED)

Activating People and Policies to Build Health Communities 2017 – New (Continued)

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

	Inception Through 12/31/14	2015	2016	Total
Grants	\$ -	-	50,000	\$ 50,000
Direct Expenses	-	-	6,865	6,865
Change in Net Assets	\$ -	-	43,135	\$ 43,135

Shaping Our Future – In Progress

The Organization received \$20,075 and \$176,016 in 2016 and 2015, respectively, for a Shaping Our Future project. This initiative will inspire critical dialog regarding land use issues, fund an objective analysis of the impacts of varying development patterns, and encourage a clearer understanding by appointed and elected leaders regarding the impacts of land use decisions. The funding came from the following:

	2015 & 2016
Hollingsworth Funds	\$ 150,000
Greater Greenville Realtors Assoc.	15,000
New Belgium	12,500
Ten at the Top	8,000
Riley Institute at Furman	8,000
Miscellaneous	2,591
	<u>\$ 196,091</u>

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

	Inception Through 12/31/14	2015	2016	Total
Grants	\$ -	176,016	20,075	\$ 196,091
Direct Expenses	-	12,581	65,231	77,812
Change in Net Assets	\$ -	163,435	(45,156)	\$ 118,279

Community Design and Planning for Active, Healthy Communities 2016 – In Progress

In November 2015 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 \$73,011 grant was for one year and the final bill will be paid in early 2017.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 8 – TEMPORARILY RESTRICTED FUNDS (CONTINUED)

Community Design and Planning for Active, Healthy Communities 2016 – In Progress (Continued)

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

	Inception Through 12/31/14	2015	2016	Total
Grants	\$ -	73,011	-	\$ 73,011
Direct Expenses	-	6,587	58,306	64,893
Change in Net Assets	\$ -	66,424	(58,306)	\$ 8,118

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

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 but is earned only as funds are spent.

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

	Inception Through 12/31/14	2015	2016	Total
Grants	\$ 8,475	36,637	17,010	\$ 62,122
Direct Expenses	8,475	36,637	17,010	62,122
Change in Net Assets	\$ -	-	-	\$ -

As of December 31, 2016 the remaining funds to be received under the grant total \$58,220.

Reconnecting People to Rivers Initiative Grants – In Progress

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, 2016 the Organization raised \$332,113 including the \$100,000 challenge grant.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 8 – TEMPORARILY RESTRICTED FUNDS (CONTINUED)

Reconnecting People to Rivers Initiative Grants – In Progress (Continued)

The table below details the annual and grant to date activity. In addition to the \$240,707 in total grants reported below, there is an additional \$91,406 unearned reimbursement grant.

	Inception Through 12/31/14	2015	2016	Total
Grants	\$ 30,000	84,580	126,127	\$ 240,707
Direct Expenses	2,221	86,228	82,679	171,128
Change in Net Assets	\$ 27,779	(1,648)	43,448	\$ 69,579

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, 2016 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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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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 12/31/14	2015	2016	Total**
Revenue				
Grant from GTA	\$ 129,658	-	-	\$ 129,658
Grant from GHS	300,000	-	-	300,000
(Discount Long-Term Receivable)	(12,090)	8,413	3,677	-
Grant from GCPR	35,000	-	-	35,000
Grants - Other	19,850	-	-	19,850
Total Grants	<u>472,418</u>	<u>8,413</u>	<u>3,677</u>	<u>484,508</u>
Bike Share Memberships and Sponsorships	49,289	31,310	27,986	108,585
In-Kind Contribution	31,270	-	-	31,270
Total Support and Revenue	<u>552,977</u>	<u>39,723</u>	<u>31,663</u>	<u>624,363</u>
Direct Expenses	190,770	95,123	84,716	370,609
Change in Net Assets	<u>\$ 362,207</u>	<u>(55,400)</u>	<u>(53,053)</u>	<u>\$ 253,754</u>

** Included in the change in total net assets is the net value of the bike share equipment at December 31, 2016 of \$134,762.

Community Design and Planning for Active, Healthy Communities 2015 – Completed

In November 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 \$68,817 grant was for one year.

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

	Inception Through 12/31/14	2015	2016	Total
Grants	\$ 68,817	-	-	\$ 68,817
Direct Expenses	-	68,817	-	68,817
Change in Net Assets	<u>\$ 68,817</u>	<u>(68,817)</u>		<u>\$ -</u>

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 8 – TEMPORARILY RESTRICTED FUNDS (CONTINUED)

Swamp Rabbit Trail Extension – Completed

In 2013 and 2014, the Organization received \$133,000 from the sources noted below to catalyze construction of an extension of the Swamp Rabbit Trail from Greenville to the Clemson University International Center for Automotive Research (CU-ICAR) campus and to assist with the development of a county-wide pedestrian and bicycle plan for Greenville County. Since that time, in partnership with other stakeholders, the Organization helped usher forward the following advances related to the project:

- 1) A pre-engineering study and development plan was completed and delivered to project partners, including 50% construction drawings,
- 2) The City of Greenville committed \$2,500,000 to trail construction,
- 3) A consultant was contracted by Greenville County to prepare engineering estimates for required bridgework; and
- 4) The County’s legal department has begun working with property owners to secure the necessary right-of-way for connecting the trail extension from Pleasantburg Avenue to Cleveland Park along the preferred route. Based on reports from County staff, trail construction will begin by the end of 2017.

Additionally, the Organization helped develop and then advocate successfully for the adoption of the first-ever Greenville County pedestrian and bicycle plan (formally adopted by County Council on March 1, 2016). Formal adoption of the plan was critical, as the Department of Transportation (DOT) will only recognize the legitimacy of the plan if elected officials have officially adopted it. The DOT will now consult the plan prior to road re-striping, reconstruction and/or intersection improvement projects enabling the use of state funding to complete local pedestrian and bicycle projects. The project was successfully completed in 2016; the net deficit was covered with unrestricted funds.

	2013 & 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>

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

	Inception Through 12/31/14	2015	2016	Total
Grants	\$ 133,000	-	-	\$ 133,000
Direct Expenses	125,868	5,301	1,968	133,137
Change in Net Assets	<u>\$ 7,132</u>	<u>(5,301)</u>	<u>(1,968)</u>	<u>\$ (137)</u>

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 8 – TEMPORARILY RESTRICTED FUNDS (CONTINUED)

Duke Energy Transmission Line Project - Completed

In 2015 the Organization received funds to mobilize public opposition through a public relations campaign to stop Duke Energy's proposed substation and 45-mile long transmission line over the Blue Ridge Mountains. This included newspaper ads, printed signs, op-eds, and a petition drive. The project was successfully completed in 2015; the net deficit was covered with unrestricted funds.

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

	Inception Through 12/31/14	2015	2016	Total
Grants	\$ -	74,570	-	\$ 74,570
Direct Expenses	-	75,825	-	75,825
Change in Net Assets	\$ -	(1,255)	-	\$ (1,255)

Walnut Creek Nutrient Reduction Project (Section 319 Grant) - Completed

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 was \$371,175 over three years. The main focus of the project was to reduce nitrogen, phosphorus and sediment inputs to the Walnut Creek watershed and Lake Greenwood. The grant was subsequently extended to November 30, 2015 and amended down to \$277,000. The project was completed in 2015.

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

	Inception Through 12/31/14	2015	2016	Total
Restricted Grants				
EPA	\$ 138,223	106,731	-	\$ 244,954
Total Support and Revenue	138,223	106,731	-	244,954
Direct Expenses	138,223	106,731	-	244,954
Change in Net Assets	\$ -	-	-	\$ -

Major Nature Property – Completed

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.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 8 – TEMPORARILY RESTRICTED FUNDS (CONTINUED)

Major Nature Property – Completed Continues

In 2015, the property sold for \$256,032 (net selling costs) and the balance of the tax credit funds were \$4,561. The proceeds from the sale and the tax credit funds are restricted to Land Trust program operations. As of December 31, 2016 and 2015, the balance was \$106,033 and \$181,033, respectively.

South Carolina Conservation Bank - Completed

In 2016 and 2015, the Organization received \$1,255,500 and \$772,000, respectively from the South Carolina Conservation Bank for the purchase of conservation easements closed during the reported years.

Total Temporarily Restricted Funds

The Organization has remaining fund balances in the following temporarily restricted funds as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Major Grants		
Saving Lake Greenwood	\$ 72,245	\$ -
Mary Black Active Communities 2016	8,118	66,424
Mary Black Active Communities 2017	43,135	-
Bike Share	253,754	306,808
Swamp Rabbit Trail Extension	-	1,831
Reconnecting People with Rivers	69,579	25,680
Shaping our Future	118,280	163,435
Major Nature	106,033	181,033
Other Grants		
Land Trust Endowment Funds (See Note 6)	451,946	394,771
Land Trust Restricted	12,179	39,790
North Main Park	143,422	152,475
North Saluda Watershed	208,654	158,654
100 and Counting	17,448	24,340
Rocky River	22,948	22,948
Web of Water Photo Book	458	4,915
American Rivers	9,952	-
Oconee Forever	24,040	-
Miscellaneous	13,771	53,386
Total	<u>\$ 1,575,962</u>	<u>\$ 1,596,490</u>

Transfers Between Funds

In 2016, the Organization transferred \$59,549 from unrestricted funds to temporarily restricted funds to cover program activities.

In 2015, the Organization transferred \$9,328 from unrestricted funds to temporarily restricted funds to cover program activities.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 9 – PROPERTY, EQUIPMENT AND DEPRECIATION

A summary of property and equipment is as follows:

	<u>2016</u>	<u>2015</u>
Property	\$ 833,097	\$ 833,097
Furniture	16,439	16,439
Equipment	20,636	20,636
Bike Share Equipment	<u>229,265</u>	<u>229,265</u>
Total Property and Equipment	1,099,437	1,099,437
Less Accumulated Depreciation	<u>(289,488)</u>	<u>(241,866)</u>
Property and Equipment, Net	<u>\$ 809,949</u>	<u>\$ 857,571</u>

NOTE 10 – LEASE OBLIGATIONS

The Organization leased office space in Spartanburg, South Carolina from a third party for \$1,390 per month through December 31, 2015. Effective January 1, 2016 the rent was increased to \$1,460 per month. On February 15, 2017 the Spartanburg office moved to new rental space. Rent expense was \$18,770 and \$16,820 for the years ending December 31, 2016 and 2015, respectively. The rent at the new location will be \$1,028 per month.

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 was approximately \$44,000 in legal costs. An accrued liability was recorded in the financial statements for that amount. At December 31, 2016 and 2015, the accrued liability was \$0 and \$4,014, respectively.

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 Past Executive Director is also a member of the Board of Directors of Naturaland Trust, which donated approximately 0 and 165 acres in conservations easements to the Organization during 2016 and 2015 respectively.

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 14 – CONCENTRATION OF MEMBER CONTRIBUTIONS

In 2016, the Organization received 34.48% of its total unrestricted contributions and membership revenues from two members. In 2015, the Organization received 13.6% of its total unrestricted contributions and membership revenues from one member.

NOTE 15 – SUBSEQUENT EVENTS

The financial statements were issued on April 24, 2017 and subsequent events have been evaluated through that date.

NOTE 16 – CONSERVATION EASEMENTS

At December 31, 2016 the Organization had conservation easements on 112 sites in upper South Carolina and western North Carolina. A summary of conservation easements signed in 2015 and 2016 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, 2014	18,516	\$ 82,060,142
Pickens Greenville and Oconee Counties, South Carolina		
Total Easements Completed 2015	<u>1,000</u>	<u>2,840,103</u>
Greenville, Spartanburg, Anderson, Laurens and Union Counties, South Carolina		
Total Easements Completed 2016	<u>1,401</u>	<u>5,094,505</u>
Grand Total	<u><u>20,918</u></u>	<u><u>\$ 89,994,750</u></u>