

**FRIENDS OF STATE PARKS**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

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

Independent Auditor's Report

To the Board of Directors  
Friends of State Parks, Inc.  
Raleigh, North Carolina

We have audited the accompanying financial statements of Friends of State Parks, Inc. (a non-profit organization) which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of State Parks, Inc. as of December 31, 2018 and 2017, and 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.

September 18, 2019

*Maddison + Carson, LLP*

FREINDS OF STATE PARKS, INC.  
STATEMENTS OF FINANCIAL POSITION  
December 31

	2018	2017
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 453,115	\$ 390,083
Receivables	33,880	39,159
Prepaid expenses	3,005	1,363
Inventory	247	320
Total current assets	490,247	430,925
Beneficial interest in assets held by community foundation	94,298	102,769
<b>TOTAL ASSETS</b>	<b>\$ 584,545</b>	<b>\$ 533,694</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 9,124	\$ 35,124
Grants payable	9,766	3,400
Deferred membership dues	2,935	3,466
Total current liabilities	21,825	41,990
Net assets		
Without donor restrictions		
Available for operations	94,208	78,574
Board designated operating reserve	100,000	100,000
Beneficial interest in assets held by community foundation	94,298	102,769
	288,506	281,343
With donor restrictions	274,214	210,361
Total net assets	562,720	491,704
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 584,545</b>	<b>\$ 533,694</b>

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

FRIENDS OF STATE PARKS, INC.  
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions	\$ 13,611	\$ 186,052	\$ 199,663
License plate revenue	149,993	-	149,993
Membership dues	5,912	-	5,912
Book sales, net	698	-	698
Interest	137	-	137
Income from beneficial interest, net	(8,471)	-	(8,471)
Net assets with donor restrictions released from restriction	122,199	(122,199)	-
Total support and revenues	<u>284,079</u>	<u>63,853</u>	<u>347,932</u>
Expenses			
Program expenses	249,930	-	249,930
General and administrative	26,342	-	26,342
Fundraising	644	-	644
Total expenses	<u>276,916</u>	<u>-</u>	<u>276,916</u>
Change in net assets	7,163	63,853	71,016
Net assets, beginning of period	<u>281,343</u>	<u>210,361</u>	<u>491,704</u>
Net assets, end of period	<u>\$ 288,506</u>	<u>\$ 274,214</u>	<u>\$ 562,720</u>

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

FRIENDS OF STATE PARKS, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions	\$ 11,641	\$ 132,802	\$ 144,443
License plate revenue	143,580	-	143,580
Donated professional services	3,514	-	3,514
Membership dues	10,053	-	10,053
Program revenue	76,709	-	76,709
Book sales, net	977	-	977
Interest	71	-	71
Income from beneficial interest, net	2,279	-	2,279
Net assets with donor restrictions released from restriction	67,672	(67,672)	-
Total support and revenues	316,496	65,130	381,626
Expenses			
Program expenses	247,775	-	247,775
General and administrative	24,163	-	24,163
Fundraising	731	-	731
Total expenses	272,669	-	272,669
Change in net assets	43,827	65,130	108,957
Net assets, beginning of period	237,516	145,231	382,747
Net assets, end of period	\$ 281,343	\$ 210,361	\$ 491,704

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

FRIENDS OF STATE PARKS, INC.  
STATEMENTS OF CASH FLOWS  
Year Ended December 31

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 71,016	\$ 108,957
Adjustments to reconcile change in net assets:		
Unrealized (gain) loss on beneficial interest	8,749	(1,208)
Changes in:		
Receivables	5,279	(8,939)
Prepaid expenses	(1,642)	(39)
Inventory	73	597
Accounts payable	(26,000)	35,124
Grants payable	6,366	(7,600)
Deferred membership dues	(531)	806
Net cash provided by operating activities	<u>63,310</u>	<u>127,698</u>
Cash flows from investing activities		
Purchase of beneficial interest	-	(89,598)
Reinvestment of earnings in beneficial interest	<u>(278)</u>	<u>(1,071)</u>
Net cash used by investing activities	<u>(278)</u>	<u>(90,669)</u>
Cash and cash equivalents - beginning of year	<u>390,083</u>	<u>353,054</u>
Cash and cash equivalents - end of year	<u><u>\$453,115</u></u>	<u><u>\$390,083</u></u>

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

FRIENDS OF STATE PARKS, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2018

	State Parks & Other Programming	Junior Ranger & YIP-EE	Total Program	General & Administrative	Fundraising	Total
Administrative consultant	\$ 25,200	\$ 4,200	\$ 29,400	\$ 12,600	\$ -	\$ 42,000
Travel & board expenses	19,372	-	19,372	2,563	-	21,935
Office expenses	348	-	348	727	14	1,089
Telephone & communication	4,759	-	4,759	345	630	5,734
Legal & accounting	14,574	-	14,574	8,875	-	23,449
Insurance	-	-	-	1,232	-	1,232
Education & training	1,730	-	1,730	-	-	1,730
Marketing	9,022	-	9,022	-	-	9,022
Dues	1,715	-	1,715	-	-	1,715
Cost of goods sold	2,096	-	2,096	-	-	2,096
NC Forever grant	5,000	-	5,000	-	-	5,000
Big canoe project	23,237	-	23,237	-	-	23,237
100 Mile Challenge	35,602	-	35,602	-	-	35,602
Friends chapter expenses	86,597	-	86,597	-	-	86,597
Miscellaneous grants awarded	12,932	-	12,932	-	-	12,932
Other program expenses	2,208	3,434	5,642	-	-	5,642
Total expenses by function	244,392	7,634	252,026	26,342	644	279,012
Less expenses included with revenues on the statement of activities	(2,096)	-	(2,096)	-	-	(2,096)
Total expenses included in the expense section of the statement of activities	\$ 242,296	\$ 7,634	\$ 249,930	\$ 26,342	\$ 644	\$ 276,916

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



FRIENDS OF STATE PARKS, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2017

	State Parks & Other Programming	Junior Ranger & YIP-EE	Total Program	General & Administrative	Fundraising	Total
Administrative consultant	\$ 25,200	4,200	\$ 29,400	\$ 12,600	-	\$ 42,000
Travel & board expenses	7,487	-	7,487	1,899	-	9,386
Office expenses	857	-	857	1,818	34	2,709
Telephone & communication	5,076	-	5,076	331	697	6,104
Legal & accounting	13,817	-	13,817	6,271	-	20,088
Insurance	-	-	-	1,244	-	1,244
Education & training	3,084	-	3,084	-	-	3,084
Cost of goods sold	1,973	-	1,973	-	-	1,973
MicroEye microscope project	27,708	-	27,708	-	-	27,708
ASSPD conference	74,475	-	74,475	-	-	74,475
100 Mile Challenge	28,896	-	28,896	-	-	28,896
Friends chapter expenses	31,015	-	31,015	-	-	31,015
Miscellaneous grants awarded	17,606	-	17,606	-	-	17,606
Other program expenses	1,980	6,374	8,354	-	-	8,354
<b>Total expenses</b>	<b>239,174</b>	<b>10,574</b>	<b>249,748</b>	<b>24,163</b>	<b>731</b>	<b>274,642</b>
Less expenses included with revenues on the statement of activities	(1,973)	-	(1,973)	-	-	(1,973)
<b>Total expenses included in the expense section of the statement of activities</b>	<b>\$ 237,201</b>	<b>\$ 10,574</b>	<b>\$ 247,775</b>	<b>\$ 24,163</b>	<b>\$ 731</b>	<b>\$ 272,669</b>

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

FRIENDS OF STATE PARKS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017

Note 1 - Organization

Friends of State Parks, Inc. (the "Organization") was incorporated in the State of North Carolina in 1978 and is a tax-exempt, nonprofit organization as defined under Section 501(c)(3) of the Internal Revenue Code. The Organization is dedicated to the understanding, enjoyment, and protection of North Carolina's state parks. Assets purchased or constructed for state parks are the property of the State of North Carolina. The Organization's primary source of revenue is contributions from the general public, including substantial income through the state's non-profit license plate program.

Note 2 – Significant Accounting Policies

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

**Basis of Presentation**

The Organization's financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") in its Statement of Financial Accounting Standards ASC 958, *Not-for-Profit Entities*.

**Cash and Cash Equivalents**

The Organization considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

**Inventory**

Inventory consists of maps, park guides and books. Inventory is stated at the lower of cost or net realizable value on an average cost basis. Inventory sales are presented in the statement of activities net of cost of goods sold of \$2,096 and \$1,973 for the years ended December 31, 2018 and 2017, respectively.

**Net Assets**

Net assets and revenues received are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* – net assets available for use in general operations and not subject to donor restrictions.

*Net assets with donor restrictions* – net assets subject to donor-imposed restrictions that are temporary or perpetual in nature. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed and/or when the stipulated purpose for which the resource was restricted has been fulfilled.

FRIENDS OF STATE PARKS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017

Note 2 – Significant Accounting Policies (continued)

**Contributions**

Contributions that are restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**Contributed Services**

A substantial number of volunteers make significant contributions of their time to the Organization. These contributed services are not reported as they do not meet the definition for recording or disclosure under current standards. Contributed services are only recognized for those that require specialized skills.

**Functional Allocation of Expenses**

The costs of program and supporting services of the Organization have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and general and administrative services benefited.

**Use of Estimates**

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

Note 3 - Changes in Accounting Principles

As of December 31, 2018, the Organization has adopted and implemented Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses net asset classification, liquidity, investment return, and presentation of expenses. The Organization has adjusted the presentation in these financial statements accordingly and has applied the ASU retrospectively to all periods presented.

As of December 31, 2018, the Organization has elected to early-adopt and implement ASU 2018-08 – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Organization occasionally receives and makes grants which fit the definition of unconditional grants with donor restrictions per ASU 2018-08. As such, these grants are recognized as revenue or as expense in the period awarded. Grants received are included in net assets with donor restrictions at year end to the extent the donor restrictions have not been satisfied. The Organization has applied the ASU on a prospective basis.

FRIENDS OF STATE PARKS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017

Note 4 – Liquidity and Availability

Financial assets without donor or other restrictions limiting their use that are available for general expenditure within one year of December 31, 2018 are as follows:

Cash and cash equivalents	\$ 78,901
Receivables	<u>33,880</u>
Total	<u>\$ 112,781</u>

Management believes these assets are sufficient to provide for operations in the coming year as the Organization has a stable history of significant license plate revenue to fund general operational activities. To manage liquidity, management regularly prioritizes expenditures and adheres to a detailed monthly budget plan.

Note 5 - Concentration of Risk

Cash balances are deposited at several local financial institutions in the Organization's accounts which are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. At December 31, 2018, the Organization had no funds on deposit in excess of federally insured limits. The Organization believes there is minimal risk regarding its cash and cash equivalents.

Receivables consist of quarterly license plate receipts that had been collected by the State of North Carolina as of December 31, 2018 and 2017 and remitted to the Organization in January of 2019 and 2018, respectively. The Organization does not believe it is exposed to any significant credit risk from these receivables.

License plate revenue received for the years ended December 31, 2018 and 2017 constituted approximately 43% and 38% of total revenue and 88% and 85% of operational revenue, respectively.

Note 6 – Beneficial Interest in Assets Held by Community Foundation

On April 26, 2014, the board of directors voted to establish an endowment fund and a gift fund with the North Carolina Community Foundation (the "Foundation"). Under the terms of the agency endowment agreement related to the endowment fund, the Foundation has legal and fiduciary control of the assets, including full authority and discretion as to investment of the assets. The agreement grants variance power to the Foundation, meaning the Foundation can re-designate the funds for a beneficiary other than the Organization in the unlikely event that its board of directors should deem the charitable purpose of the fund to be unnecessary, undesirable, impractical, incapable of fulfillment or inconsistent with the charitable needs of the community. As a policy of the Foundation, normally 5% of the endowment fund's average balance over a twelve quarter period is available for distribution to the Organization annually. However, per the Foundation's policies related to agency endowment funds, there is a mechanism whereby the Organization could request in extenuating circumstances a distribution of all assets in the fund.

FRIENDS OF STATE PARKS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017

Note 6 – Beneficial Interest in Assets Held by Community Foundation (continued)

Because the Organization is the named beneficiary of future distributions from the fund and because it intends to hold the beneficial interest long-term, it has recorded this beneficial interest in assets held by community foundation (the "beneficial interest") as a long-term asset at fair value with a corresponding segregation of net assets on the statements of financial position. Investment income from the beneficial interest is reported net in the statements of activities and consists of interest, dividends, and realized and unrealized gains and losses, less external and direct investment expenses of \$1,011 and \$502 for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018, the Organization has not received any contributions restricted by donors for the endowment or gift fund. As a result, the Organization's net assets related to this beneficial interest are classified as unrestricted – board designated.

ASU 2011-04, Fair Value Measurement (Topic 820) – *Fair Value Measurement and Disclosure* defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This statement establishes a fair value hierarchy regarding the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. FASB Accounting Standards Codification ("ASC") 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820-10 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) of identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The assets related to the Organization's beneficial interest are invested in the Foundation's larger portfolio. The Organization's share of the Foundation's assets constitutes a Level 2 investment as the Organization has not granted variance power to the Foundation and has the ability to redeem its investment at net asset value per share or its equivalent at the measurement date.

The recorded fair value of the Organization's beneficial interest in the assets held by the Foundation at December 31, 2018 and 2017 was \$94,298 and \$102,769, respectively.

FRIENDS OF STATE PARKS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017

Note 6 – Beneficial Interest in Assets Held by Community Foundation (continued)

The following is a reconciliation of endowment fund activity as of and for the years ended December 31:

	<u>Without Donor Restrictions</u>	
	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 101,769	\$ 9,892
Contributions	-	89,598
Withdrawals	-	-
Interest and dividends	1,289	1,573
Unrealized gain/loss	(8,749)	1,208
Fees	(1,011)	(502)
Ending balance	<u>\$ 93,298</u>	<u>\$ 101,769</u>

With regard to the endowment fund component of the beneficial interest, the Organization has entrusted the Foundation to achieve its return objectives for stable, long-term growth. The Organization intends to follow a 5% spending policy whereby it will accept distributions from earnings of up to 5% of the corpus annually. Since inception, the Organization has not received any distributions from the Foundation.

Contributions from the Organization's board of directors to the endowment fund from inception to date total \$99,598. As of December 31, 2018, the corpus of the fund is in an "underwater" position by \$6,300, that is, unrealized losses have been greater than earnings plus unrealized gains, net of fees since inception. The Organization does not intend to make appropriations from the fund as long as it is in an underwater position.

Note 7 – Net Assets Without Donor Restrictions – Board Designated

The Organization's board of directors has designated an operating reserve in the amount of \$100,000. In addition, the Organization's board has established an endowment fund and a gift fund through the North Carolina Community Foundation (see Note 6) which it has funded to date with excess operating funds.

FRIENDS OF STATE PARKS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2018 and 2017

Note 8 – Net Assets With Donor Restrictions

The Organization had net assets restricted by donors at December 31 for the following purposes:

	<u>2018</u>	<u>2017</u>
Friends of State Parks chapters	\$ 198,976	\$ 117,179
Carver's Creek	30,021	58,875
100 Mile Challenge grant	35,701	26,303
Junior Ranger	3,251	3,252
Ledford Scholarship Fund	6,265	4,150
Other grant funds	-	602
	<hr/>	<hr/>
Total	<u>\$ 274,214</u>	<u>\$ 210,361</u>

Note 9 – Friends of State Parks Chapter Accounts

The Organization reports and manages the activities of chapter groups associated with individual North Carolina state parks. These chapters provide funding for projects and volunteer support for programs in addition to advocating for improvements and maintenance at specific state parks. The Organization collects donations and revenues on their behalf and oversees disbursements of their approved expenditures. Management has determined the value of services the Organization provides to such groups to be immaterial.

Note 10 – Allocation of Functional Expenses

Certain expenses in these financial statements are attributable to more than one program or supporting function. Under ASU 2016-14, these expenses must be allocated over functional categories on a reasonable basis that is consistently applied. Accordingly, the Organization has allocated administrative consultant costs based on an analysis of time and efforts. Travel and board expenses are allocated directly with all external meeting travel recorded as program expense and all internal meeting costs reflected as general and administrative. Legal expenses consist of fees incurred primarily for legislative representation and lobbying and as such are recorded as program expenses. Accounting fees are recorded as general and administrative. Marketing costs are considered program costs as they have been incurred to promote the use and raise awareness of the state parks system in the community. Overhead expenses such as office, telephone and insurance are allocated individually based on an analysis of consumption.

Note 11 – Related Party Transactions

The Organization's Administrative Director and Treasurer serve on the board of NC Forever, a coalition of businesses and nonprofit organizations that share a commitment to the conservation of the state's land and water resources, that received funding from the Organization in the amount of \$5,000 for the year ended December 31, 2018.

FRIENDS OF STATE PARKS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 and 2017

Note 12 – Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been recorded on the financial statements. The Organization has evaluated its tax positions as of December 31, 2018 and believes they exceed the “more likely than not” standard set by FASB ASC 740-10. Consequently, it has not recorded a liability for any potentially imposed taxes or any potentially unrecognized tax benefits.

Note 13 – Subsequent Events

The Organization has evaluated subsequent events through September 18, 2019, the date the financial statements were available to be issued. No adjustments or disclosures were judged to be necessary.

Note 14 - Reclassifications

Certain reclassifications were made to the December 31, 2017 financial statements in order to conform to the December 31, 2018 financial statement presentation.