

**THE LAND TRUST  
OF NORTH ALABAMA  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
The Land Trust of North Alabama  
Huntsville, Alabama

We have audited the accompanying financial statements of The Land Trust of North Alabama (a non-profit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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 The Land Trust of North Alabama as of December 31, 2017, and the changes in net assets and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

## **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Mercer & Associates, PC*

Huntsville, Alabama  
August 9, 2018

**THE LAND TRUST OF NORTH ALABAMA  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2017**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$	759,874
Investment account		135,903
Prepaid expenses		7,838
<b>Total Current Assets</b>		<u>903,615</u>

**Land, Buildings, Land Improvements and Equipment**

Land - unrestricted	17,464,015
Land improvements	359,261
Furniture and equipment	58,746
Vehicles	20,000
Less allowance for depreciation	<u>(255,102)</u>
<b>Total Land, Buildings Site Improvements and Equipment</b>	<u>17,646,920</u>

**Other Assets**

Land - permanently restricted	4,094,946
Investment account - permanently restricted	21,000
Conservation easement fund - restricted	52,224
Deposits	<u>3,227</u>
<b>Total Other Assets</b>	<u>4,171,397</u>

**TOTAL ASSETS** \$ 22,721,932

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accrued compensated absences	\$	9,686
Accounts payable		17,638
Payroll liabilities		1,481
Note payable - current portion		14,995
Line of credit - current portion		<u>7,341</u>
<b>Total Current Liabilities</b>		<u>51,141</u>

**Long Term Liabilities**

Security deposit	300
Note payable	213,990
Line of credit	<u>77,653</u>
<b>Total Long Term Liabilities</b>	<u>291,943</u>

**Net Assets**

Unrestricted	17,434,904
Unrestricted - board designated	403,917
Temporarily restricted	424,081
Permanently restricted	<u>4,115,946</u>
<b>Total Net Assets</b>	<u>22,378,848</u>

**TOTAL LIABILITIES AND  
NET ASSETS** \$ 22,721,932

The accompanying notes to financial statements are an integral part of these financial statements.

**THE LAND TRUST OF NORTH ALABAMA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>Unrestricted Support</b>	
Contributions	\$ 518,119
Special events revenue	214,930
Special events in-kind contributions	20,871
Less: costs relating to special events	(113,887)
Less: purchase of silent auction items	(13,874)
<b>Total Unrestricted Support Revenue</b>	<u>626,159</u>
<b>Unrestricted Program Revenue</b>	
Leases and sale of land revenue	18,341
Miscellaneous revenue	5,500
<b>Total Unrestricted Program Revenue</b>	<u>23,841</u>
<b>Total Unrestricted Support and Program Revenue</b>	<u>650,000</u>
<b>Functional Expenses</b>	
Program services	467,830
Support services	
Management and general	92,468
Fundraising	23,684
<b>Total Functional Expenses</b>	<u>583,982</u>
<b>Unrestricted Other Income (Expense)</b>	
Investment income	6,477
Donated land	223,000
Miscellaneous income	5,890
Unrealized loss on investment in marketable securities	12,139
<b>Total Unrestricted Other Income (Expense)</b>	<u>247,506</u>
Net assets released from restriction	60,752
<b>Increase (Decrease) in Unrestricted Net Assets</b>	<u>374,276</u>
<b>Temporarily Restricted Net Assets</b>	
Designated gifts	241,387
Investment income	0
Grant income	29,854
Net assets released from restriction	(60,752)
<b>Increase (Decrease) in Temporarily Restricted Net Assets</b>	<u>210,489</u>
<b>Permanently Restricted Net Assets</b>	
Net assets released from restriction	0
<b>Increase (Decrease) in Permanently Restricted Net Assets</b>	<u>0</u>
<b>Change in Net Assets</b>	584,765
<b>Net Assets, Beginning of Period</b>	21,794,083
<b>Net Assets, End of Period</b>	<u>\$ 22,378,848</u>

The accompanying notes to financial statements are an integral part of these financial statements

**THE LAND TRUST OF NORTH ALABAMA  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES**

**Reconciliation of Increase in Net Assets to Net Cash  
Provided (Used) by Operating Activities**

<b>Increase (Decrease) in Net Assets</b>	<b>\$ 584,765</b>
Adjustment to reconcile net income to net cash provided (used) by operating activities:	
Depreciation	24,154
Unrealized gain on marketable securities	(12,139)
Receipt of donated land	(223,000)
Decrease (increase) in:	
Grant receivable	1,589
Prepaid expenses	2,056
Increase (decrease) in:	
Payroll liabilities	(1,273)
Accounts payable	17,095
Accrued compensated absences	(1,214)
<b>Net cash provided (used) by operating activities</b>	<b><u>392,033</u></b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Dividends received on investment fund	(4,660)
Fees paid to manage investment fund	1,545
Conservation easement fund	(7,523)
Purchase of land	(389,000)
Purchase of fixed assets	(9,355)
<b>Net cash provided (used) by investing activities</b>	<b><u>(408,993)</u></b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Payment on loan	(13,146)
Payment on truck loan	(10,079)
<b>Net cash provided (used) by financing activities</b>	<b><u>(23,225)</u></b>

**Net increase in cash and cash equivalents** **(40,185)**

**Cash and cash equivalents at beginning of year** **800,059**

**Cash and cash equivalents at end of year** **\$ 759,874**

Supplemental information:

Cash paid for: Interest	<b><u><u>\$ 12,176</u></u></b>
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The accompanying notes to financial statements are an integral part of these financial statements.

**THE LAND TRUST OF NORTH ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Land Trust of North Alabama, (the "Organization") is a non-profit organization established in 1988 to preserve lands for public use to enhance recreation, education, conservation, and prosperity in the North Alabama Region. The Organization purchases and accepts donations of land in order to accomplish this mission. Other sources of revenue include contributions received and special events held throughout the year.

**Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. In addition, the Organization is required to present a statement of cash flows. Accordingly, all financial transactions have been recorded and reported by the following groups:

- The Unrestricted net assets include the combination of assets which are not restricted by any third party donor and which are available for use by the Organization without restriction.
- The Temporarily Restricted net assets represent donations that are available for donor-specified purposes as ratified by the Board of Directors. The Temporarily Restricted assets are released to unrestricted assets when restricted purposes have been satisfied.
- The Permanently Restricted net assets represent resources permanently restricted by donors to be used only for restricted purposes as ratified by the Organization.

**Support and Revenue Recognition**

The Organization recognizes contributions as support and revenue when the pledged receivable is currently due. Deferred revenues are those revenues collected for specific events that have not occurred and prepaid expenses are expenditures for specific events that have not yet occurred. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. All contributions are considered available for unrestricted use unless specially restricted by the donor or subject to other legal restrictions.

The Organization has elected to report donor-restricted contributions (including contributions of long-lived assets) whose restrictions are met in the same reporting period as unrestricted support.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years experience and management's analysis of specific promises made. At December 31, 2017, the allowance for uncollectible promises to give was zero.



## NOTES TO FINANCIAL STATEMENTS - CONTINUED

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

#### Donated Equipment and Services

Donated equipment and materials are reflected as contributions in the accompanying statements at the estimated value at the date of receipt. In addition, a substantial number of volunteers have donated significant amounts of their time in the organization's program services and in its fund-raising campaigns. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

#### Estimates

Preparation of financial statements in conformity with generally accepted accounting principles of the United States of America requires use of management's estimates. Management has made estimates related to accruals of revenues and expenses.

#### Property and Equipment

Buildings, site improvements, and equipment are stated at cost. It is the Organization's policy to capitalize acquisitions of property and equipment in excess of \$2,500. Additions, improvements, and expenses for repairs and maintenance that extend the economic life of the assets are capitalized. Other expenses for repairs and maintenance are charged to operating accounts when incurred. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets. Construction in progress is not depreciated until the assets are completed and placed into service.

#### Income Tax Status

The Organization is a non-profit organization that is exempt from 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. The Organization is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years after December 31, 2013 remain subject to examination by taxing authorities.

#### Advertising

Advertising costs are expensed as incurred. Total advertising and public relations expense for year ended December 31, 2017 was \$10,132.

#### Cash and cash equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

### **NOTE 2 - LAND AND PERMANENTLY RESTRICTED NET ASSETS**

The Organization both purchases land and accepts donations of land in order to carry out the mission. Land that is purchased is recorded at cost. Donated land is carried at estimated fair market value at the date that it was received. The Organization has received land donations where the donor has retained a life estate interest in the property. The agreements allow the donor use of the property for their remaining life. The property is restricted both in regards to the life estate and may only be transferred to a local government if the Organization ceases to operate. The carrying value of property with a retained life estate at December 31, 2017 was \$499,000, and is included in permanently restricted land.

## **NOTES TO FINANCIAL STATEMENTS - CONTINUED**

### **NOTE 2 - LAND AND PERMANENTLY RESTRICTED NET ASSETS - CONTINUED**

The Organization has received certain donated land that is permanently restricted by the donor for the limited use of the Land Trust. Restrictions have been placed on some donated land that does not allow the Organization to sell the land or transfer to any organization except the City of Huntsville or as designated in the deed of the donated property. The value of this donated land, including the property with a retained life estate, is \$4,094,946. Additionally, there is a restricted cash investment fund of \$21,000, which results in a total of \$4,115,946. This comprises the total of permanently restricted net assets.

### **NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are assets which are donor-specified for a particular purpose. Restricted donations are specified for land purchases, grants with specified requirements and investments requesting endorsement for specified purposes. A donation was received in a prior year to establish a conservation easement fund for a parcel of land. Interest earned on this restricted account is also included in temporarily restricted assets. The value of the easement fund cash account at December 31, 2017 is \$52,224. Temporarily restricted net assets at December 31, 2017 totaled \$424,081.

### **NOTE 4 - BOARD DESIGNATED FUNDS**

Certain commitments have been approved by the Board of Directors and are shown on the balance sheet as board designated funds. These designations can change as needed by approval of the Board, as no restrictions were placed on these funds by the donors.

### **NOTE 5 - FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and 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 6 - CONCENTRATIONS OF CREDIT RISK**

The Organization maintains its cash accounts at several Huntsville, Alabama commercial banks and in uninsured money market accounts. The FDIC insures the total cash balances at each commercial bank up to \$250,000. Balances of all accounts are stated at cost, which approximates market value. The uninsured balance at December 31, 2017 is \$227,461.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

### NOTE 7 - IN KIND SERVICES AND DONATIONS

During the year ended December 31, 2017 the value of donated materials and services meeting the requirements for recognition in the financial statements was \$20,871.

The donations recorded as expenses are as follows:

Advertising relating to special events	\$ 6,050
Printing related to special events	1,000
Auction items for special events	<u>13,821</u>
Total In-kind Donations	\$ <u>20,871</u>

### NOTE 8 - NOTES PAYABLE

During 2016, a loan was obtained from a local bank to assist in paying off a note which had been issued to a private party for the purchase of land. This loan was refinanced in February, 2017. This loan was for \$238,978 and bears an interest rate of 3.68%. A monthly payment of \$1,956 is made on this note, which includes interest and principal. The balance of the loan as of December 31, 2017 is \$228,985. Interest expense on this loan for 2017 equals \$9,705. Principal requirements on the note are as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2018	\$14,995
2019	15,583
2020	16,194
2021	16,828
2022	17,488
Thereafter	<u>147,897</u>
	<u>\$228,985</u>

The line of credit was refinanced during 2017 and now has an interest rate of 3.85% and a maturity date of February 28, 2027. Monthly payments of accrued interest are made on this line of credit; additionally, a principal reduction of at least \$7,341 is required each year. During 2017 no principal reduction was made, due to the refinancing. The balance on this line of credit at December 31, 2017 is \$84,994. All outstanding interest and principal due is to be paid prior to the maturity date. Interest expense for 2017 on this line of credit equaled \$2,782.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 9 - LEASE COMMITMENTS**

For the year ended December 31, 2017, the Organization operated under a lease for the rental of facilities. This lease is effective through January 31, 2019. Rental expense for 2017 was \$32,767.

Future minimum rental payments are as follows:

<u>Year Ended December 31:</u>	
2018	33,358
2019	2,784

**NOTE 10 - INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement dates. A fair value measurement assumes that the transaction to see the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value in three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.

Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management’s own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Foundation’s own data.)

The following table presents the Land Trust of North Alabama’s fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2017.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investment	\$ 156,903	\$ 0	\$ 0	\$ 156,903
Interest Receivable	0	0	0	0
<b>Totals</b>	<b>\$ 156,903</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 156,903</b>

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 11 - FIXED ASSETS**

At December 31, 2017, the costs and related accumulated depreciation of fixed assets consisted of the following:

	Balance December 31, 2016	Additions	Retirements and Reclassifications	Balance December 31, 2017
Land – unrestricted	\$ 16,852,015	\$ 612,000	\$ 0	\$ 17,464,015
Land improvements	349,906	9,355	0	359,261
Furniture and equipment	58,746	0	0	58,746
Vehicles	31,444	0	(11,444)	20,000
Accumulated depreciation	(242,392)	(24,154)	11,444	(255,102)
 Total unrestricted land, property and equipment, net	 \$ 17,049,719	 \$ 597,201	 \$ 0	 \$ 17,646,920

Depreciation expense for the year ended December 31, 2017 was \$24,154.

**NOTE 12 - SUBSEQUENT EVENTS**

The date through which subsequent events have been evaluated is August 9, 2018. The financial statements were available to be issued at that time.

**THE LAND TRUST OF NORTH ALABAMA  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 218,230	\$ 47,573	\$ 14,698	\$ 280,501
Property management and taxes	47,518	0	0	47,518
Rent	25,493	5,557	1,717	32,767
Grant expenses	27,520	0	0	27,520
Depreciation	24,154	0	0	24,154
Payroll taxes	18,503	4,034	1,246	23,783
Printing	18,250	3,978	1,229	23,458
Employee benefits	15,575	3,395	1,049	20,019
Office expense	12,737	2,777	858	16,371
Membership expense	10,245	2,233	690	13,169
Interest expense	12,176	0	0	12,176
Insurance	9,341	2,036	629	12,007
Advertising, marketing, and public relations	7883	1718	531	10132
Credit card merchant fees expense	0	7,225	0	7,225
Postage	5,080	1,107	342	6,529
Bank charges	0	4,735	0	4,735
Computer expense	3,229	704	217	4,150
Dues and subscriptions	3,054	666	206	3,926
Professional expenses	0	3,852	0	3,852
Land expense	3,750	0	0	3,750
Board expenses	2,108	459	142	2,709
Travel and conferences	1,477	322	100	1,899
Education	1,069	0	0	1,069
Utilities	438	95	30	563
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$467,830</b>	<b>\$92,468</b>	<b>\$23,684</b>	<b>\$583,982</b>

The accompanying notes to financial statements are an integral part of these financial statements