

**CENTER FOR HEIRS' PROPERTY PRESERVATION
CHARLESTON, SOUTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

**CENTER FOR HEIRS' PROPERTY PRESERVATION
CHARLESTON, SOUTH CAROLINA
DECEMBER 31, 2016 AND 2015**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 10
SUPPLEMENTARY INFORMATION	
Statements of Functional Expenses	11 - 12

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Center for Heirs' Property Preservation
Charleston, South Carolina

We have audited the accompanying financial statements of the Center for Heirs' Property Preservation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 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 Center for Heirs' Property Preservation as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 15, 2017, on our consideration of the Center for Heirs' Property Preservation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Center for Heirs' Property Preservation's internal control over financial reporting and compliance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 11 and 12 are presented for purposes of additional analysis and are 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.



May 15, 2017
Mount Pleasant, South Carolina

**CENTER FOR HEIRS' PROPERTY PRESERVATION
STATEMENTS OF FINANCIAL POSITION
AT DECEMBER 31, 2016 AND 2015**

	2016	2015
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents - undesignated	\$ 370,465	\$ 445,839
Cash - trust accounts	7,218	2,740
Accounts receivable	25	684
Grants receivable	44,331	10,147
Prepaid expenses	10,696	9,848
Total current assets	432,735	469,258
Property and equipment, net	39,219	50,257
Total assets	\$ 471,954	\$ 519,515
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 16,359	\$ 9,049
Accrued expenses	1,662	1,180
Compensated absences	22,386	17,575
Trust account liability	7,219	2,739
Total liabilities	47,626	30,543
<u>Net Assets</u>		
Unrestricted	225,096	271,565
Temporarily restricted	199,232	217,407
Total net assets	424,328	488,972
Total liabilities and net assets	\$ 471,954	\$ 519,515

See accompanying notes to financial statements.

**CENTER FOR HEIRS' PROPERTY PRESERVATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Foundation grants	\$ 217,793	\$ 165,982	\$ 383,775
Government grants	137,743	-	137,743
Corporate grants	259,196	-	259,196
Fee income	7,690	-	7,690
Contributions - Corporate	8,700	-	8,700
Contributions - Individuals	21,382	-	21,382
Special events, net of expenses of \$23,512	42,583	33,250	75,833
Interest	1,103	-	1,103
In-kind contributions	24,608	-	24,608
Total support and revenue	<u>720,798</u>	<u>199,232</u>	<u>920,030</u>
Net Assets Released from Restriction	<u>217,407</u>	<u>(217,407)</u>	<u>-</u>
Total Support and Revenue and Net Assets Released from Restriction	<u>938,205</u>	<u>(18,175)</u>	<u>920,030</u>
Expenses			
Program services	854,862	-	854,862
Supporting services:			
General and administrative	76,607	-	76,607
Fundraising	53,205	-	53,205
Total supporting services	<u>129,812</u>	<u>-</u>	<u>129,812</u>
Total expenses	<u>984,674</u>	<u>-</u>	<u>984,674</u>
Decrease in net assets	(46,469)	(18,175)	(64,644)
Beginning net assets	<u>271,565</u>	<u>217,407</u>	<u>488,972</u>
Ending net assets	<u>\$ 225,096</u>	<u>\$ 199,232</u>	<u>\$ 424,328</u>

See accompanying notes to financial statements.

**CENTER FOR HEIRS' PROPERTY PRESERVATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Foundation grants	\$ 594,112	\$ 217,407	\$ 811,519
Government grants	51,916	-	51,916
Corporate grants	70,743	-	70,743
Fee income	1,983	-	1,983
Contributions - Corporate	1,170	-	1,170
Contributions - Individuals	10,126	-	10,126
Special events, net of expenses of \$28,106	82,202	-	82,202
Interest	1,032	-	1,032
In-kind contributions	30,193	-	30,193
Total support and revenue	<u>843,477</u>	<u>217,407</u>	<u>1,060,884</u>
Net Assets Released from Restriction	<u>109,575</u>	<u>(109,575)</u>	<u>-</u>
Total Support and Revenue and Net Assets Released from Restriction	<u>953,052</u>	<u>107,832</u>	<u>1,060,884</u>
Expenses			
Program services	682,637	-	682,637
Supporting services			
General and administrative	51,339	-	51,339
Fundraising	85,258	-	85,258
Total supporting services	<u>136,597</u>	<u>-</u>	<u>136,597</u>
Total expenses	<u>819,234</u>	<u>-</u>	<u>819,234</u>
Increase in net assets	133,818	107,832	241,650
Beginning net assets	<u>137,747</u>	<u>109,575</u>	<u>247,322</u>
Ending net assets	<u>\$ 271,565</u>	<u>\$ 217,407</u>	<u>\$ 488,972</u>

See accompanying notes to financial statements.

**CENTER FOR HEIRS' PROPERTY PRESERVATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
<u>Cash Flows from Operating Activities:</u>		
Increase (decrease) in net assets	\$ (64,644)	\$ 241,650
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	11,038	3,473
Changes in operating assets and liabilities:		
Increase in accounts receivable	659	1,721
Decrease in grants receivable	(34,184)	(6,411)
Increase in prepaid expenses	(848)	(2,254)
Increase (decrease) in accounts payable	7,310	6,034
Increase in accrued expenses	482	344
Increase in accrued leave	4,811	4,694
Increase (decrease) in trust account liability	4,480	382
Net cash provided by (used for) operating activities	(70,896)	249,633
<u>Cash Flows from Investing Activities:</u>		
Cash paid to purchase property and equipment	-	(50,574)
Net cash used for investing activities	-	(50,574)
Net increase (decrease) in cash and cash equivalents	(70,896)	199,059
Cash and cash equivalents, beginning of year	448,579	249,520
Cash and cash equivalents, end of year	\$ 377,683	\$ 448,579

See accompanying notes to financial statements.

**CENTER FOR HEIRS' PROPERTY PRESERVATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Center for Heirs' Property Preservation (the "Center") has a mission of protecting heirs' property and promoting the sustainable use of land to provide increased economic benefit to low wealth families through education, legal services and forestry technical assistance. The Center accomplishes this mission by providing these services to: 1) historically under-served landowners, (2) nonprofit organizations serving heirs' property owners, (3) attorneys and judges handling heirs' property cases, and (4) the community-at-large in Beaufort, Berkeley, Charleston, Clarendon, Colleton, Dorchester, Georgetown, Hampton, Jasper, Orangeburg, Sumter and Williamsburg counties in South Carolina. The Center supports its activities through a combination of foundations, state, local government grants, fee-for-service, and individual and corporate contributions

In 2002 as a project at the Coastal Community Foundation, the Center for Heirs' Property Preservation was established as an independent nonprofit organization in 2005 in response to the overwhelming need to provide free, comprehensive legal and education services to low-income heirs' property (HP) owners to help them obtain clear title and preserve their land.

The Center has a 15-member board of directors, the majority of whom are attorneys, who are responsible for the policy and governance of the Center and a 14-member staff who conduct the day-to-day operations.

Basis of Accounting

The accompanying financial statements present the financial condition, results of operations, and cash flows of the Center on the accrual basis of accounting. Support is recognized when received or unconditionally promised, and expenses are recognized when incurred.

Basis of Presentation

In accordance with ASC 958-205, *Presentation of Financial Statements*, the Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets

Net assets without donor imposed restrictions and currently available for program and supporting services.

Temporarily Restricted Net Assets

Net assets subject to donor imposed stipulations, may or will be met, by actions of the Center and/or the passage of time.

Permanently Restricted Net Assets

Net assets restricted by donors to be maintained permanently by the Center. There were no permanently restricted net assets as of December 31, 2016 or 2015.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Center considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less, to be cash equivalents.

CENTER FOR HEIRS' PROPERTY PRESERVATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Grants Receivable and Allowance for Doubtful Accounts

Grants receivable consists of amounts owed from various grantors. The Center has not experienced any uncollectible receivables in prior years. The Center uses the allowance method to determine uncollectible grants receivable when necessary. All receivable were deemed fully collectible as of December 31, 2016 and 2015; accordingly, no allowance for doubtful accounts is required.

Property and Equipment

It is the policy of the Center to capitalize equipment of \$1,000 or greater at cost, if purchased, and at fair market value, if donated. Capitalized equipment and leasehold improvements are depreciated over their useful lives using the straight-line method. Depreciable lives of the equipment and furniture range from five to seven years.

Contributions

In accordance with accounting principles generally accepted in the United States of America, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Center reports contributions as restricted support if they are received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

Employee Benefit Plan

The Center has set up a retirement plan in which it will make a contribution to an employee's retirement account based upon 3% of the employee's salary. The employee starts receiving this benefit on the month following their one-year anniversary of employment. Retirement expenses for the years ended December 31, 2016 and 2015 was \$12,375 and \$ 10,623, respectively.

Functional Expenses

The Center allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with specific programs or support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are charged to the program or management categories based on percentage of utilization or other statistical methods.

Escrow Balances

In certain instances, amounts for legal services and retainers are held in escrow by the Center. These amounts will be used to pay amounts as they become due. Individual escrow balances are recorded as liabilities in the financial statements.

Compensated Absences

All vacation days earned by employees for the year are accrued monthly during the fiscal year and 150 hours may be carried over to the next. Full-time staff members are eligible for a certain number of vacation days, during which the employee will receive full pay. The exact number of vacation days is based on the employee's length of employment. Employees, who have worked at the Center longer than six months, receive two weeks paid vacation (75 hours). Employees, who have worked at the Center for over five years, receive three weeks paid vacation (112.50 hours) and four weeks paid vacation (150 hours) after eight years.

CENTER FOR HEIRS' PROPERTY PRESERVATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes

The Center is a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, the Center qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Recent Accounting Pronouncements and Proposed Accounting Pronouncements

On April 22, 2015, the Financial Accounting Standards Board (FASB) issued an Exposure Draft of the proposed Accounting Not-for Profit Entities (Topic 958) and Health Care Entities (Topic 954), for public release. The comment period ended as of August 20, 2015. The objective of this project is to reexamine existing standards for financial statements presentation by not-for-profit entities (NFP), focusing on improving: 1) Net asset classification requirements; and 2) Information provided in the financial statements and notes about liquidity, financial performance and cash flows. The Board has continued to meet, as recently as June 16, 2016, and is reviewing the final draft of the Accounting Standards Update. The standard was approved in August 2016. The pronouncement will be effective for years beginning after December 15, 2017 and will be applied retrospectively with options. The Organization has the expertise and resources to implement these changes as currently proposed.

2. FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy which 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 in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Center's significant financial instruments are cash and cash equivalents. For this financial instruments, carrying values approximate fair value (Level 1).

3. OPERATING LEASES

In November 2011, the Center signed a five year lease for an office building in Charleston, South Carolina. The duration of the lease extends from February 1, 2012 to January 31, 2017. The monthly rent payments under this lease increase annually. On May 16, 2014, the Center acquired additional office space adjacent to its current space and amended the lease agreement. In November 2016, the Center renewed this lease for an additional three year term, expiring January 31, 2020.

In September 2014, the Center entered into a five year operating lease for a Konica copier machine with minimum monthly payments of \$234, expiring in October 2019.

**CENTER FOR HEIRS' PROPERTY PRESERVATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

3. OPERATING LEASES - CONTINUED

Future minimum non-cancelable lease payments as of December 31, 2016, are as follows:

2017	\$	46,298
2018		50,631
2019		51,718
2020		4,122
Thereafter		<u>-</u>
	<u>\$</u>	<u>152,769</u>

Total lease expense for the years ended December 31, 2016, and 2015, were \$36,942 and \$35,303, respectively.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31:

	<u>2016</u>	<u>2015</u>
Restricted for timing	\$ 98,250	\$ 65,000
Restricted for heirs preservation and forestry mgt.	87,500	89,907
Restricted for breaking barriers of heirs property	-	62,500
Restricted for landowner outreach	<u>13,482</u>	<u>-</u>
	<u>\$ 199,232</u>	<u>\$ 217,407</u>

5. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of cash and receivables. The Center places its cash with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2016, the Center's cash deposits exceeded federally insured limits by \$30,672.

6. IN-KIND CONTRIBUTIONS

A number of unpaid volunteers have made significant contributions of time to assist the Center in the operation of its programs. The value of these contributions is not reflected in these statements since it does not meet the criteria for revenue recognition.

For the years ended December 31, 2016 and 2015, the Center received professional and legal services valued at \$24,608 and \$30,193, respectively, which were used for program services and operating activities. All of this in-kind support is included in contributions and expenses in the statements of activities.

7. SUBSEQUENT EVENTS

Management has evaluated the impact of events and transactions occurring subsequent to December 31, 2016 through May 15, 2017, the date these financial statements were available to be issued. Based upon that evaluation, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

SUPPLEMENTAL INFORMATION

**CENTER FOR HEIRS' PROPERTY PRESERVATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Supporting Services			Total
	Program Services	General and Administrative	Fundraising	
Salaries and wages	\$ 490,745	\$ 54,659	\$ 27,810	\$ 573,214
Legal services - In-kind	24,608	-	-	24,608
Payroll taxes	36,923	3,419	1,919	42,261
Fringe benefits	63,514	6,312	5,618	75,444
Professional services	14,412	1,580	1,407	17,399
Occupancy	35,474	3,868	2,596	41,938
Insurance	7,158	196	174	7,528
Telephone/internet	4,060	347	309	4,716
Professional development	8,379	394	351	9,124
Travel	24,802	1,554	382	26,738
Office expenses	20,450	2,288	12,138	34,876
PR and community affairs	12,127	1,426	-	13,553
Licenses and membership dues	4,795	172	153	5,120
Meeting expense	4,319	392	348	5,059
Client program supplies	2,047	-	-	2,047
SFP Landowner support	26,059	-	-	26,059
Client litigation costs	1,792	-	-	1,792
Public awareness	2,575	-	-	2,575
Seminars and presentation	47,920	-	-	47,920
Mapping research costs	11,665	-	-	11,665
Depreciation	11,038	-	-	11,038
Total expenses	\$ 854,862	\$ 76,607	\$ 53,205	\$ 984,674

See independent auditors' report

**CENTER FOR HEIRS' PROPERTY PRESERVATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Supporting Services			Total
	Program Services	General and Administrative	Fundraising	
Salaries and wages	\$ 382,909	\$ 33,434	\$ 54,160	\$ 470,503
Legal services - In-kind	30,193	-	-	30,193
Payroll taxes	28,261	2,465	3,993	34,719
Fringe benefits	47,327	4,128	6,686	58,141
Professional services	20,430	3,636	909	24,975
Occupancy	34,743	2,471	3,689	40,903
Insurance	4,568	568	241	5,377
Telephone/internet	4,249	302	451	5,002
Professional development	4,428	386	625	5,439
Travel	24,836	1,904	791	27,531
Office expenses	16,955	1,350	12,157	30,462
PR and community affairs	10,840	-	570	11,410
Licenses and membership dues	3,914	278	416	4,608
Meeting expense	3,053	170	170	3,393
Client program supplies	1,435	-	-	1,435
SFP Landowner support	15,593	-	-	15,593
NRCS/OCR Outreach and Workshops	11,390	-	-	11,390
Client litigation costs	2,743	-	-	2,743
Public awareness	3,206	-	-	3,206
Seminars and presentation	19,488	-	-	19,488
Mapping research costs	9,250	-	-	9,250
Depreciation	2,826	247	400	3,473
Total expenses	\$ 682,637	\$ 51,339	\$ 85,258	\$ 819,234

See independent auditors' report