

**SOUTH CAROLINA
COASTAL CONSERVATION LEAGUE, INC.
CHARLESTON, SOUTH CAROLINA**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
South Carolina Coastal Conservation League, Inc.
Charleston, South Carolina

We have audited the accompanying consolidated financial statements of South Carolina Coastal Conservation League, Inc. (a nonprofit organization) and subsidiary, which comprise the consolidated statements of financial position at December 31, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of South Carolina Coastal Conservation League, Inc. and subsidiary at December 31, 2017 and 2016, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules on pages 19 and 20 are presented for purposes of an additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Glaser and Company, LLC

May 2, 2018
Charleston, South Carolina

SOUTH CAROLINA COASTAL CONSERVATION LEAGUE, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 1,540,407	\$ 2,079,117
Reimbursement and other receivables	101,096	83,172
Unconditional promises to give and grants receivable, net of allowance of \$47,576 for 2017 and \$60,059 for 2016	893,937	1,143,111
Prepaid expenses and other assets	105,961	78,876
Property held for sale	86,500	86,500
Total current assets	2,727,901	3,470,776
<u>Non-Current Assets</u>		
Investments, designated for long-term use	10,793,952	8,321,965
Unconditional promises to give, net of allowance of \$64,965 for 2017 and \$73,624 for 2016	1,218,140	1,372,293
Property and equipment, net	1,046,016	1,060,237
Total non-current assets	13,058,108	10,754,495
Total assets	\$ 15,786,009	\$ 14,225,271
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable and accrued expenses	\$ 122,437	\$ 74,776
Accrued salary and employee benefits payable	139,950	56,605
Promissory note payable, current portion	8,407	7,827
Accrued compensated absences	158,826	151,940
Total current liabilities	429,620	291,148
<u>Non-Current Liabilities</u>		
Promissory note payable, net of current portion	28,371	36,796
Total non-current liabilities	28,371	36,796
Total liabilities	457,991	327,944
<u>Net Assets</u>		
Unrestricted:		
Operating	1,859,621	2,772,526
Board designated	10,793,952	8,321,965
Total unrestricted net assets	12,653,573	11,094,491
Temporarily restricted net assets	2,674,445	2,802,836
Total net assets	15,328,018	13,897,327
Total liabilities and net assets	\$ 15,786,009	\$ 14,225,271

See accompanying notes to consolidated financial statements.

SOUTH CAROLINA COASTAL CONSERVATION LEAGUE, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>			<u>Temporarily</u>	<u>Total</u>
	<u>Operating</u>	<u>Designated</u>	<u>Total</u>	<u>Restricted</u>	
Support and Revenue					
Contributions	\$ 2,890,594	\$ -	\$ 2,890,594	\$ 926,141	\$ 3,816,735
Grants	400,248	-	400,248	427,683	827,931
Produce and misc. sales, net of cost of sales of \$605,967	281,571	-	281,571	-	281,571
Rents	57,263	-	57,263	-	57,263
Investment return, net of fees	2,920	1,674,628	1,677,548	-	1,677,548
Loss on disposal of fixed asset	(736)	-	(736)	-	(736)
Other income	47,845	-	47,845	-	47,845
Total support and revenue	<u>3,679,705</u>	<u>1,674,628</u>	<u>5,354,333</u>	<u>1,353,824</u>	<u>6,708,157</u>
Net assets released from restriction	<u>1,482,215</u>	<u>-</u>	<u>1,482,215</u>	<u>(1,482,215)</u>	<u>-</u>
Total support and revenue and net assets released from restriction	<u>5,161,920</u>	<u>1,674,628</u>	<u>6,836,548</u>	<u>(128,391)</u>	<u>6,708,157</u>
Expenses					
Program services:					
Water and air quality	804,464	-	804,464	-	804,464
Land use planning	1,736,435	-	1,736,435	-	1,736,435
Climate and energy	696,317	-	696,317	-	696,317
Sustainable agriculture	1,103,880	-	1,103,880	-	1,103,880
Total program services	<u>4,341,096</u>	<u>-</u>	<u>4,341,096</u>	<u>-</u>	<u>4,341,096</u>
Supporting services:					
General and administrative	477,666	-	477,666	-	477,666
Fundraising	458,704	-	458,704	-	458,704
Total supporting services	<u>936,370</u>	<u>-</u>	<u>936,370</u>	<u>-</u>	<u>936,370</u>
Total expenses	5,277,466	-	5,277,466	-	5,277,466
Interfund transfers	<u>(797,359)</u>	<u>797,359</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Decrease) increase in net assets	(912,905)	2,471,987	1,559,082	(128,391)	1,430,691
Net assets, beginning of year	<u>2,772,526</u>	<u>8,321,965</u>	<u>11,094,491</u>	<u>2,802,836</u>	<u>13,897,327</u>
Net assets, end of year	<u>\$ 1,859,621</u>	<u>\$ 10,793,952</u>	<u>\$ 12,653,573</u>	<u>\$ 2,674,445</u>	<u>\$ 15,328,018</u>

See accompanying notes to consolidated financial statements.

SOUTH CAROLINA COASTAL CONSERVATION LEAGUE, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Operating</u>	<u>Unrestricted Designated</u>	<u>Total</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue					
Contributions	\$ 2,531,514	\$ -	\$ 2,531,514	\$ 1,032,304	\$ 3,563,818
Grants	831,915	-	831,915	-	831,915
Produce and misc. sales, net of cost of sales of \$798,307	275,962	-	275,962	-	275,962
Rents	52,708	-	52,708	-	52,708
Investment return, net of fees	550	109,378	109,928	-	109,928
Other income	44,160	-	44,160	-	44,160
Total support and revenue	<u>3,736,809</u>	<u>109,378</u>	<u>3,846,187</u>	<u>1,032,304</u>	<u>4,878,491</u>
Net assets released from restriction	<u>1,784,256</u>	<u>-</u>	<u>1,784,256</u>	<u>(1,784,256)</u>	<u>-</u>
Total support and revenue and net assets released from restriction	<u>5,521,065</u>	<u>109,378</u>	<u>5,630,443</u>	<u>(751,952)</u>	<u>4,878,491</u>
Expenses					
Program services:					
Water and air quality	671,899	-	671,899	-	671,899
Land use planning	1,155,859	-	1,155,859	-	1,155,859
Climate and energy	587,602	-	587,602	-	587,602
Sustainable agriculture	1,041,737	-	1,041,737	-	1,041,737
Total program services	<u>3,457,097</u>	<u>-</u>	<u>3,457,097</u>	<u>-</u>	<u>3,457,097</u>
Supporting services:					
General and administrative	492,614	-	492,614	-	492,614
Fundraising	466,017	-	466,017	-	466,017
Total supporting services	<u>958,631</u>	<u>-</u>	<u>958,631</u>	<u>-</u>	<u>958,631</u>
Total expenses	4,415,728	-	4,415,728	-	4,415,728
Interfund transfers	<u>(800,799)</u>	<u>800,799</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	304,538	910,177	1,214,715	(751,952)	462,763
Net assets, beginning of year	<u>2,467,988</u>	<u>7,411,788</u>	<u>9,879,776</u>	<u>3,554,788</u>	<u>13,434,564</u>
Net assets, end of year	<u>\$ 2,772,526</u>	<u>\$ 8,321,965</u>	<u>\$ 11,094,491</u>	<u>\$ 2,802,836</u>	<u>\$ 13,897,327</u>

See accompanying notes to consolidated financial statements.

SOUTH CAROLINA COASTAL CONSERVATION LEAGUE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
<u>Cash Flows from Operating Activities:</u>		
Increase in net assets	\$ 1,430,691	\$ 462,763
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(1,650,192)	(85,541)
Depreciation	104,387	92,180
Change in allowance for doubtful accounts	(21,028)	(11,502)
Loss on disposal of fixed assets	8,236	-
(Increase) decrease in assets:		
Reimbursements and other receivables	(17,924)	4,221
Unconditional promises to give and grants receivable	424,355	973,590
Prepaid expenses	(27,085)	(16,895)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	47,661	35,695
Accrued salary and employee benefits payable	83,345	(16,601)
Accrued compensated absences	6,886	19,309
Net cash provided by operating activities	389,332	1,457,219
<u>Cash Flows from Investing Activities:</u>		
Purchases of investments	(20,072,547)	(5,953,470)
Proceeds from sales of investments	19,250,752	5,131,304
Purchases of property and equipment	(98,402)	(15,261)
Net cash used for investing activities	(920,197)	(837,427)
<u>Cash Flows from Financing Activities:</u>		
Payments on notes payable	(7,845)	(200,000)
Net cash used for financing activities	(7,845)	(200,000)
Net (decrease) increase in cash and cash equivalents	(538,710)	419,792
Cash and cash equivalents, beginning of year	2,079,117	1,659,325
Cash and cash equivalents, end of year	\$ 1,540,407	\$ 2,079,117
<u>Supplemental Disclosures of Cash Flow Information</u>		
Cash paid during the year for interest	\$ 2,505	\$ 942

See accompanying notes to consolidated financial statements.

SOUTH CAROLINA COASTAL CONSERVATION LEAGUE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The South Carolina Coastal Conservation League, Inc. (the “League”) incorporated on March 12, 1989 as a nonprofit organization under the laws of the State of South Carolina. The primary purpose of the League is to identify study, analyze, and research environmental issues and policies affecting the coastal area of South Carolina, as well as to provide public education. The League has identified four major areas of emphasis: 1) air, water, and public health, 2) land and community, 3) energy, and 4) food and agriculture. The League’s programs are supported primarily by contributions.

Basis of Accounting

The League prepares its consolidated financial statements in accordance with the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Consolidation

In April of 2010, the League formed a single member limited liability company (*LLC*) to begin development of a distribution center for locally grown agriculture. The legal name of the entity is CCL Realty, LLC (the “Company”) but does business as GrowFood Carolina. CCL Realty, LLC is a wholly owned subsidiary of the League. The accompanying consolidated financial statements include the accounts of the Company. The League provides administrative support that may result in some inter-company activity. All inter-company activity is eliminated upon consolidation. Further, the League executed a note for the benefit of CCL Realty, LLC associated with start-up costs for its facility in Charleston, South Carolina.

Basis of Presentation

In accordance with ASC 958-205, *Presentation of Financial Statements*, the League 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. Certain unrestricted net assets have been designated by the Board of Directors (the “Board”) to be maintained as quasi endowment funds.

Temporarily Restricted Net Assets

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

Permanently Restricted Net Assets

Net assets restricted by donors to be maintained permanently by the League. There were no permanently restricted net assets at December 31, 2017 and 2016.

Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, the League considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Donated Assets and Services

The League records the value of donated goods or services when there is an objective basis available to measure their values. The League reflects donated materials and equipment as contributions in the accompanying consolidated statements of activities at their estimated fair values at the date of receipt.

SOUTH CAROLINA COASTAL CONSERVATION LEAGUE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The League received donated legal services valued at \$1,628,806 and \$760,000, and rent of \$43,620 and \$43,620, during the years ended December 31, 2017 and 2016, respectively. The League has included these amounts in both contributions and expenses in the consolidated statements of activities for the years ended December 31, 2017 and 2016.

Asset Available for Sale

During 2015, the League received a parcel of land from a donor with a fair market value of \$86,500. The League is actively listing this property and anticipates selling during the year ended December 31, 2018.

Property and Equipment, and Depreciation

All acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line basis over the appropriate estimated useful life. The estimated lives used in determining depreciation are:

Building	40 years
Vehicles	5 - 10 years
Furniture and equipment	5 - 10 years
Software	3 - 7 years

Contributions

Unconditional promises to give are recorded as contributions in the year pledges are made. Contributions for support of current operations are included in the consolidated statement of activities as unrestricted, while pledges for support of future operations are reported as increases in temporarily restricted net assets until the donor-imposed stipulation expires. Contributions are released from restriction as the nature of the restriction changes, or restrictions are satisfied.

Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

Income Taxes

The League is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation.

Functional Expenses

The basis of expenses charged to each program is based on the direct expenditures incurred. The League allocates all program expenditures not directly chargeable to a program based on an estimation of staff members' time spent on each program.

Use of Estimates

The preparation of consolidated financial statements 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 consolidated financial statements. The preparation of consolidated financial statements also requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the allowance for doubtful accounts, the unamortized discount on promises to give, the estimated useful lives of property and equipment, the fair market value of donated property and services, and the allocation of expenses by function. It is at least reasonably possible that the estimates used will change within the near term.

SOUTH CAROLINA COASTAL CONSERVATION LEAGUE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Description of Programs

Air, Water, and Public Health

The objective of this program staff is to advocate for clean water and clean air, thereby protecting public health and natural ecosystems. The League accomplishes this goal by ensuring public policies are adequate and properly implemented to protect water and air quality, communicating to a broad audience about how to take action to support this goal, and involving the public in decision-making regarding protection of local water resources and air quality. Achievements preserving water and air quality include successfully opposing the Dorchester County Coastal Zone Re-designation; opposing hard structures on the Isle of Palms and at Debidue Beach; promoting sound and legal mitigation projects; improving local resiliency policies; and challenging the Cruise Ship expansion of the Charleston, South Carolina port for the impact on its water and air quality.

Land and Community

The objective of this program is to advocate for land conservation and quality of life in South Carolina coastal communities. The League promotes sustainable growth patterns and permanent land protection where appropriate. In some areas, staff analyzes community growth patterns, identifies problems and advocates for policy changes to promote environmentally sensitive and economically responsible growth policies. The League provides technical and professional assistance to local residents to help preserve their land and communities, as well as community organizing expertise. Achievements include successfully advocating for more protection of Cainhoy Plantation Development which seeks to develop over 9,000 acres of valuable historic, cultural and environmental resources; protecting rural areas of Johns Island, South Carolina from excessive development; and preventing the development of the Captain Sam's Spit Sandy Barrier Island.

Energy

Program staff works in this program to advocate for clean, renewable energy through policy reform, public awareness campaigns and educational outreach. The League promotes energy efficiency, energy conservation and alternative fuel sources as the cheapest and most effective solution to the climate and energy crisis. Achievements include the passage of South Carolina Act 236 (Cost Shift and Cost of Service Analysis), a progressive solar energy bill, and subsequent policies resulting in more solar energy in South Carolina; a coastal campaign to oppose offshore drilling and gas; statewide planning for energy efficiency; and progress towards restructuring the state's energy sector—a problem revealed in the wake of the V.C. Summer nuclear failure.

Food and Agriculture

League staff coordinates and networks between farmers, producers, chefs and consumers. These efforts facilitate the process of getting food from the producers to chefs and consumers and make it easier for all in South Carolina to buy locally with the ultimate goal of preserving agricultural lands and supporting the local economy. The consolidated activities associated with GrowFood Carolina, the League's local food hub, and CCL Realty, LLC are included in this program area. Achievements include \$5 million in sales of local produce and products; partnerships with 85 farmers on more than 2,000 acres; an inventory of more than 300 local items; and more than 200 customers—including restaurants, major retail chains, and a growing number of institutions and corporate campuses.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update ("ASU") 2016-14 *Not-for Profit Entities* (Topic 958) – *Presentation of the Financial Statements of Not-for-Profit Entities*. The amendments in the update make certain improvements that address many of the identified issues of current financial reporting for not-for-profits. A second phase of the project is expected to address more protracted issues identified by the FASB. The update addresses some of the current financial reporting challenges as follows: 1) reduces complexity in reporting donor imposed

SOUTH CAROLINA COASTAL CONSERVATION LEAGUE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

restrictions; 2) improves transparency and utility in assessing a not-for-profit's liquidity; and 3) enhances the consistency of reporting of not-for-profit expenses by nature and function. The amendments in this update go into effect for annual financial statements issued for years beginning after December 15, 2017.

In February 2016, the FASB issued ASU 2016-02 *Leases* (Topic 842). The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. When measuring assets and liabilities arising from a lease, a lessee (and a lessor) should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The amendments in this Update are effective for fiscal years beginning after December 15, 2019.

2. RETIREMENT PLAN

The League has a 403(b) Plan (the "Plan") to provide retirement and incidental benefits for its employees. Employees may contribute to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The League matches employee contributions dollar for dollar up to a maximum of 5% of an employee's annual compensation. All regular employees who work greater than 20 hours per week are eligible to participate in the plan immediately. Employees are eligible to participate in the match effective on the first day of employment. Participants are 50% vested at the end of one year of employment and 100% vested after two years of employment. The League incurred \$66,072 and \$51,608 in matching expenses for the years ended December 31, 2017 and 2016.

3. CONCENTRATION OF CREDIT RISK

The League places its temporary cash investments with financial institutions. These temporary investments primarily consist of cash and money market accounts, which potentially subject the League to concentration of credit risk for the amounts in excess of federally insured limits. At December 31, 2017, the League's temporary cash investments exceeded federally insured limits by \$676,831.

Credit risk for promises to give is concentrated with a few significant donors. Approximately 35% and 41% of the total gross balance of unconditional promises to give is due from five donors at December 31, 2017 and 2016, respectively.

4. FAIR VALUE MEASUREMENTS AND INVESTMENTS

The League measures fair value using a three-level hierarchy for fair value measurements. The fair value measurement accounting standard applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements. These standards emphasize that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the assets or liabilities and establishes a fair value hierarchy. Financial assets recorded on the consolidated statement of financial position are categorized based on the inputs of the valuation techniques as follows:

SOUTH CAROLINA COASTAL CONSERVATION LEAGUE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

4. FAIR VALUE MEASUREMENTS AND INVESTMENTS - Continued

LEVEL 1

Financial assets whose values are based on the unadjusted quoted prices for identical assets in an active market that the League has the ability to access.

LEVEL 2

Financial assets whose values are based on quoted prices in markets that are not active that are observable either directly or indirectly for substantially the full term of the asset. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in non-active markets;
- Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- Pricing models whose inputs are derived principally from or corroborated by unobservable market data through correlation or other means for substantially the full term of the asset or liabilities.

LEVEL 3

Financial assets whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions about pricing the asset.

Assets measured at fair value on a recurring basis at December 31:

Description	2017			Total
	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Other Unobservable Inputs	
Trading securities	\$ 27,698	\$ -	\$ -	\$ 27,698
Cash and money markets	352,979	-	-	352,979
United States Treasury Notes	741,238	-	-	741,238
Government bonds - Foreign	532,494	-	-	532,494
Municipal bonds	25,216	-	-	25,216
Corporate bonds	1,602,130	-	-	1,602,130
Equities - US	7,121,678	-	-	7,121,678
Equities - Foreign	418,217	-	-	418,217
	<u>\$ 10,821,650</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,821,650</u>

SOUTH CAROLINA COASTAL CONSERVATION LEAGUE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

4. FAIR VALUE MEASUREMENTS AND INVESTMENTS – Continued

<u>Description</u>	2016			<u>Total</u>
	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Other Unobservable Inputs	
Trading securities	\$ 18,514	\$ -	\$ -	\$ 18,514
Cash and money markets	743,483	-	-	743,483
United States Treasury Notes	151,851	-	-	151,851
Government agency bonds	35,046	-	-	35,046
Municipal bonds	25,473	-	-	25,473
Corporate bonds	502,037	-	-	502,037
Equities - US	6,045,954	-	-	6,045,954
Equities - Foreign	799,607	-	-	799,607
	<u>\$ 8,321,965</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,321,965</u>

The following schedule summarizes the return on investments for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Dividend, interest and net realized gains	\$ 129,573	\$ 40,170
Investment expenses	(92,360)	(73,821)
Net unrealized gains	<u>1,640,335</u>	<u>143,579</u>
Total investment return, net	<u>\$ 1,677,548</u>	<u>\$ 109,928</u>

The Board has directed the League to designate the investments for future use. Funds designated by the Board for future use has been classified as designated in the consolidated financial statements. Investment returns classified as operating include interest income on cash accounts, which is not designated for future use by the Board. The League reports investment income and gains and losses on investments as increases or decreases in unrestricted net assets unless a donor or law temporarily or permanently restricts their use.

5. UNCONDITIONAL PROMISES TO GIVE AND GRANTS RECEIVABLE

Unconditional promises to give and grants receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Discount rates used to estimate future cash flows ranged from .54% to 3.21% at December 31, 2017. The net unamortized discount on promises to give at December 31, 2017 and 2016 is \$16,198 and \$28,316, respectively, and the amortization of the discount is reported as contributions in the consolidated statements of activities. The allowance for doubtful accounts is estimated based on historical data as 5% of outstanding pledges receivable plus any specific balances whose collection appears doubtful by management. Amounts receivable are deemed past due when they are outstanding beyond the terms of the donor's pledge. The League does not accrue interest on past due amounts. Amounts are charged off when they are deemed uncollectible by management. Amounts that are over 90 days past due total \$53,900 and \$148,754 at December 31, 2017 and 2016, respectfully.

SOUTH CAROLINA COASTAL CONSERVATION LEAGUE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

5. UNCONDITIONAL PROMISES TO GIVE AND GRANTS RECEIVABLE - Continued

The following is a summary of unconditional promises to give and grants receivable and the allowance at December 31:

	<u>2017</u>	<u>2016</u>
Net present value, promises to give - current	\$ 941,513	1,203,170
Allowances for uncollectible promises - current	<u>(47,576)</u>	<u>(60,059)</u>
Net promises to give, current	<u>893,937</u>	<u>1,143,111</u>
Net present value, promises to give - non-current	1,283,105	1,445,917
Allowances for uncollectible promises - non-current	<u>(64,965)</u>	<u>(73,624)</u>
Net promises to give, non-current	<u>1,218,140</u>	<u>1,372,293</u>
Total promises to give	<u>\$ 2,112,077</u>	<u>\$ 2,515,404</u>

Amounts due over the next five years at December 31, 2017 are as follows:

2018	\$ 941,513
2019	742,519
2020	371,500
2021	93,784
2022	51,500
Thereafter	<u>40,000</u>
Total promises to give	2,240,816
Less: unamortized discount	<u>(16,198)</u>
Total discounted promises to give	2,224,618
Less: allowance for uncollectible promises to give	<u>(112,541)</u>
Net promises to give	<u>\$ 2,112,077</u>

6. IN-KIND CONTRIBUTIONS

The League received donated legal services with an estimated fair value of \$1,628,806 and \$760,000 in 2017 and 2016, respectively. The donated legal and professional services were used in the land-use, water and air quality programs, climate and energy, and sustainable agriculture.

The League received donated rent with an estimated fair value of \$43,620 for each of the years ended December 31, 2017 and 2016, respectively. The donated rent is allocated to all program service expenses and general and administrative expenses. These in-kind contributions are included in unrestricted contributions and expenses on the consolidated statements of activities.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

7. PROPERTY AND EQUIPMENT

Major classifications of property and equipment at December 31 are summarized below:

	<u>2017</u>	<u>2016</u>
Buildings	\$ 886,166	\$ 877,765
Vehicles	127,695	141,050
Furniture and equipment	537,470	537,470
Software	140,004	42,004
Furnishings	49,625	49,625
Assets under development	-	8,000
	<hr/>	<hr/>
Total	1,740,960	1,655,914
Accumulated depreciation	(694,944)	(595,677)
	<hr/>	<hr/>
Net property and equipment	<u>\$ 1,046,016</u>	<u>\$ 1,060,237</u>

Depreciation expense for the years ended December 31, 2017 and 2016 totaled \$104,387 and \$92,180, respectively.

8. PROMISSORY NOTE PAYABLE

On June 1, 2011, the League signed a \$300,000 note with the Coastal Community Foundation of South Carolina. The promissory note requires interest only payments quarterly at 1.5%. All unpaid principal and interest was due on June 30, 2016 (maturity date of the note). The note was unsecured. The note was paid in full and surrendered during 2016.

On December 14, 2016, the League signed a \$44,623 equipment note with Ford Motor Credit Company for a 2017 Ford Transit. The agreement requires (60) monthly payments of \$862 of principal and interest at a rate of 5.89%. The note matures in December of 2021. Total estimated maturities of the notes payable at December 31, 2017:

2018	\$ 8,407
2019	8,916
2020	9,455
2021	10,000
Thereafter	<hr/> -
	<hr/> <u>\$ 36,778</u>

9. RELATED PARTY TRANSACTIONS

Various board members, committee members, employees, their families and companies contributed a total of \$448,761 and \$1,341,079 during the years ended December 31, 2017 and 2016, respectively. Unconditional promises to give from related parties at December 31, 2017 and 2016 totaled \$321,583 and \$481,302, respectively.

The League paid \$32,291 and \$39,248 to the spouse of an employee for the writing and design of the League's newsletter and League History Book for the years ended December 31, 2017 and 2016, respectively.

SOUTH CAROLINA COASTAL CONSERVATION LEAGUE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

10. BOARD DESIGNATED ENDOWMENT

The League's endowment consists of a fund designated by the Board to function as an endowment which is held in the unrestricted net asset class. This fund is held in the form of cash and cash equivalents, and other equity investments and classified and reported based on the existence or absence of donor-imposed restrictions.

In accordance with the Uniform Prudent Management of Institutional Funds Act (*UPMIFA*), the League's policy is to preserve the fair value of the original endowment gift at the gift date of the funds unless there are explicit donor stipulations to the contrary. The League classifies as permanently restricted net assets (1) the original gift; (2) the original value of subsequent gifts; and (3) accumulations to the endowment in accordance with the direction of the original donor gift (if there are any). Subsequent accumulations of total investment returns are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the League in a manner consistent with the standard of prudence established by UPMIFA.

In accordance with League policy, the Board designated endowment is recorded at the amount stipulated by the Board and classified as unrestricted net assets. It is the intention of the Board to maintain the designations in perpetuity, with subsequent accumulations of total investment return classified as unrestricted net assets until those amounts are appropriated for expenditure by the League in a manner consistent with their policy.

Board designated net assets at December 31, consist of endowment assets to be held indefinitely for the following purposes:

	2017	2016
General endowment	\$ 10,793,952	\$ 8,321,965
	\$ 10,793,952	\$ 8,321,965

The composition of the League's endowment by net asset class at December 31, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	\$ 10,793,952	\$ -	\$ -	\$ 10,793,952
Total funds	\$ 10,793,952	\$ -	\$ -	\$ 10,793,952

The composition of the League's endowment by net asset class at December 31, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	\$ 8,321,965	\$ -	\$ -	\$ 8,321,965
Total funds	\$ 8,321,965	\$ -	\$ -	\$ 8,321,965

SOUTH CAROLINA COASTAL CONSERVATION LEAGUE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

10. BOARD DESIGNATED ENDOWMENT - Continued

The League follows an investment policy with long-term growth as the main objective. The League relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The League utilizes a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

The Board appropriates amounts for specifically identified expenses as needed. The Board takes into consideration the following factors in making a determination to appropriate endowment funds for expenditure:

- General economic conditions;
- Possible effect of inflation or deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the institution;
- The purpose of the fund and its relationship to the mission of the League; and
- The League's investment policies.

The following details the changes in the League's endowment net assets for the year ended December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 8,321,965	\$ -	\$ -	\$ 8,321,965
Contributions	902,776	-	-	902,776
Investment return:	1,674,628	-	-	1,674,628
	2,577,404	-	-	2,577,404
Amounts appropriated for expenditure	(105,417)	-	-	(105,417)
Endowment net assets, end of year	<u>\$ 10,793,952</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,793,952</u>

The following details the changes in the League's endowment net assets for the year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 7,411,788	\$ -	\$ -	\$ 7,411,788
Contributions	800,799	-	-	800,799
Investment return	109,378	-	-	109,378
	910,177	-	-	910,177
Amounts appropriated for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ 8,321,965</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,321,965</u>

SOUTH CAROLINA COASTAL CONSERVATION LEAGUE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

11. LEASES

On April 1, 2003, the League entered into an agreement to lease a building at 328 East Bay Street in Charleston, South Carolina for its corporate offices. The duration of the lease extended from April 1, 2003 to March 31, 2004 with the option to renew for up to five years. The fair market value of the rent is provided to the League as an in-kind donation and is included in revenues and expenses on the consolidated statements of activities. Rent expense for this lease for the years ended December 31, 2017 and 2016 was \$43,620 and \$43,620, respectively. On January 1, 2016, the League entered into a new lease agreement with its current landlord. The lease is effective January 1, 2016 and matures on December 31, 2016. The lease may be extended by the League for up to five (5) successive periods of one year. The lease was extended on January 1, 2017 for a one-year period. The annual rent is \$10 and includes contributed rental value consistent with prior lease periods for this corporate space.

On April 1, 2008, the League entered into an agreement to lease approximately 675 square feet of office space at 902 North Street in the City of Beaufort, South Carolina. The duration of the lease extended from April 1, 2008 to March 31, 2009. The League continued to lease this space on a month to month basis, until June 2016. Rent payments for the location were \$750 per month and were due on the first day of the month. Rent expense for this lease for the years ended December 31, 2017 and 2016 was \$0 and \$4,500, respectively. On June 16, 2016, the League entered into an agreement to lease office space at 1212 King Street in the City of Beaufort, South Carolina for one year beginning July 1, 2016. Effective July 1, 2017 this lease converted to a month to month basis. Rent payments for the location are \$500 per month and are due on the first day of the month. Rent expense for this lease for the years ended December 31, 2017 and 2016 was \$6,000 and \$3,000, respectively.

On December 5, 2002, the League entered into an agreement to lease office space at 709B Front Street in the City of Georgetown, South Carolina. The duration of the lease extended from January 1, 2003 to December 31, 2003. The lease automatically renews each year on January 1, for a term of one year. Rent payments for the location were \$625 per month and were due on the first day of the month. On August 1, 2016, rent payments increased to \$650 per month. Rent payments were increased for a second time to \$725 per month on January 1, 2017. Rent expense for this lease for the years ended December 31, 2017 and 2016 was \$9,000 and \$8,825, respectively.

On December 4, 2014, the League signed a one-year lease beginning January 1, 2015, for new office space in Columbia, South Carolina. The lease provides for monthly rent of \$1,350 and is due on the fifth day of the month. On April 26, 2016, the lease was renewed for an additional year for monthly rent of \$1,404. Rent and additional premises expenses for this lease for the years ended December 31, 2017 and 2016 were \$9,828 and \$15,278 respectively. On June 29, 2017, the League signed a one-year lease beginning August 1, 2017 in Columbia, South Carolina. Rent payments for the location are \$1,182 per month and are due on the first day of the month. The lease may be extended by the League for an additional one year with rent increasing 2% upon renewal. Rent and additional premises expenses for this lease for the years ended December 31, 2017 and 2016 was \$7,560 and \$0 respectively

GrowFood Carolina leased a vehicle under terms of an operating lease with monthly lease payments of \$260. This lease matured on June 29, 2016 and was not renewed.

GrowFood Carolina leases space in its operating facility to various third parties under operating leases. Lease terms range from one to seven years. Monthly payments received by GrowFood Carolina range from \$550 to \$685 per month. Total lease payments received for the years ended December 31, 2017 and 2016 was \$51,738 and \$52,708, respectively.

SOUTH CAROLINA COASTAL CONSERVATION LEAGUE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

12. GROWING TOGETHER CAMPAIGN

The League has helped preserve the South Carolina coast for over 27 years. The League's work today is more important than ever. The League is attempting to ensure that new development is smart and sustainable while promoting transportation systems that are efficient, diversified, and can accommodate the projected growth. The League is the only organization equipped to address these challenges, and the Growing Together Campaign began on January 1, 2015 to help the League achieve these goals.

The League's \$20 million Growing Together campaign will:

- \$11 million - expand the League's programs to protect the quality of life along the coast, including significant investment in the League's local food hub, GrowFood Carolina;
- \$1 million - increase the League's support base by engaging a new legion of conservationists; and
- \$8 million - build the League's board designated endowment and internal infrastructure to help implement the League's mission long into the future

13. ADVERTISING

During the years ended December 31, 2017 and 2016, the League incurred \$0 and \$6,523, respectively, in advertising costs. This advertising included radio and newspaper spots advertising public meetings and transportation reform. All advertising costs during 2016 were expensed as incurred.

14. SUBSEQUENT EVENTS

In accordance with ASC 855, *Subsequent Events*, the League evaluated subsequent events through May 2, 2018, the date these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.

SUPPLEMENTAL SCHEDULES

**CCL REALTY, LLC
BALANCE SHEETS
DECEMBER 31, 2017 AND 2016**

	2017	2016
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 320,613	\$ 342,710
Accounts receivable	101,096	79,304
Due from related party	3,751	3,493
Promises to give, net of allowance for doubtful accounts of \$2,325 for 2017 and \$3,825 for 2016	34,175	74,675
Prepaid expenses	43,203	17,915
Total current assets	502,838	518,097
<u>Non-current Assets</u>		
Promises to give, net of allowance for doubtful accounts of \$4,464 for 2017 and \$7,672 for 2016	83,927	142,222
Property and equipment, net of accumulated depreciation of \$335,285 for 2016 and \$257,489 for 2016	1,006,156	998,906
Total non-current assets	1,090,083	1,141,128
Total assets	\$ 1,592,921	\$ 1,659,225
<u>LIABILITIES AND MEMBER'S EQUITY</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 69,586	\$ 13,069
Accrued payroll	28,455	28,455
Accrued compensated absences	42,322	31,756
Due to related party - promissory note current portion	8,407	7,827
Total liabilities	148,770	81,107
<u>Non-current Liabilities:</u>		
Due to related party - promissory note, net of current portion	28,371	36,796
Total Liabilities	177,141	117,903
<u>Member's Equity</u>		
Total liabilities and member's equity	\$ 1,592,921	\$ 1,659,225

See independent auditors' report

CCL REALTY, LLC
INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Revenue		
Contributions	\$ 61,909	\$ 441,610
Grants	272,472	211,321
Produce sales, net of consigned cost of \$605,967 for 2017 and \$1,087,927 for 2016	271,073	275,962
Rent income	51,739	52,708
Shipping and delivery	10,498	-
Box and merchandise sales	23,909	19,550
Event revenue	5,362	13,090
Loss on disposal of asset	(8,236)	-
Miscellaneous	24,318	975
Total revenue	<u>713,044</u>	<u>1,015,216</u>
Operating expenses		
Salaries, payroll taxes and benefits	548,677	481,651
Depreciation	82,915	70,708
Marketing and business development	8,359	7,871
Produce box costs	26,639	37,491
Auto and truck expenses	19,711	16,175
Insurance	21,368	13,044
Utilities	16,019	19,502
Telephone and network charges	19,089	15,541
Professional fees	23,380	12,390
Repairs, maintenance and equipment	30,825	31,421
Travel and meetings	11,046	6,884
Office supplies	9,544	8,343
Miscellaneous	3,208	3,070
Events and fundraising	9,079	12,485
Bank and credit card processing fees	3,459	3,729
Interest	-	633
Printing and postage	6,683	9,791
Meals and entertainment	1,564	1,815
Dues and subscriptions	1,615	4,120
Change in allowance for doubtful accounts	(4,594)	9,346
Total expenses	<u>838,586</u>	<u>766,010</u>
Net (Loss) Income	<u>\$ (125,542)</u>	<u>\$ 249,206</u>

See independent auditors' report