

CONESTEE FOUNDATION, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

CONESTEE FOUNDATION, INC.

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Greene Finney & Horton

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Conestee Foundation, Inc.

Report on Financial Statements

We have audited the accompanying statements of financial position of Conestee Foundation, Inc. (a nonprofit organization) as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Conestee Foundation, Inc. as of December 31, 2013 and 2012, 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.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
March 6, 2014

CONESTEE FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2012)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2013 TOTAL	2012 TOTAL
ASSETS					
Cash	\$ 31,244	129,049	-	160,293	\$ 167,884
Account Receivable	60,000	-	-	60,000	671
Land	3,214	-	1,910,013	1,913,227	1,913,227
Buildings, park infrastructure and equipment, net	10,787	-	1,671,050	1,681,837	1,649,833
Construction in Progress	-	-	-	-	11,523
TOTAL ASSETS	\$ 105,245	129,049	3,581,063	3,815,357	\$ 3,743,138
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts Payable	\$ 8,339	-	-	8,339	\$ 7,646
TOTAL LIABILITIES	8,339	-	-	8,339	7,646
NET ASSETS					
Unrestricted	96,906	-	-	96,906	54,470
Temporarily Restricted	-	129,049	-	129,049	109,653
Permanently Restricted	-	-	3,581,063	3,581,063	3,571,369
TOTAL NET ASSETS	96,906	129,049	3,581,063	3,807,018	3,735,492
TOTAL LIABILITIES AND NET ASSETS	\$ 105,245	129,049	3,581,063	3,815,357	\$ 3,743,138

The notes to the financial statements are an integral part of this statement.

See accompanying independent auditor's report.

CONESTEE FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2013 TOTAL</u>	<u>2012 TOTAL</u>
PUBLIC SUPPORT AND REVENUE					
Public Support					
Grants	\$ 70,000	196,370	-	266,370	\$ 368,430
Lease payments	60,000	-	-	60,000	-
Donations	16,967	(1,250)	-	15,717	70,921
Proceeds from land condemnation	1,100	-	-	1,100	-
Net Assets Released from Restrictions	175,724	(175,724)	-	-	-
TOTAL PUBLIC SUPPORT	<u>323,791</u>	<u>19,396</u>	<u>-</u>	<u>343,187</u>	<u>439,351</u>
Revenue					
Interest income	924	-	-	924	832
Other income	3,936	-	-	3,936	-
TOTAL REVENUE	<u>4,860</u>	<u>-</u>	<u>-</u>	<u>4,860</u>	<u>832</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>328,651</u>	<u>19,396</u>	<u>-</u>	<u>348,047</u>	<u>440,183</u>
EXPENSES					
Program	166,067	-	-	166,067	270,947
Transfer of land and park infrastructure to Permanently Restricted	114,252	-	(114,252)	-	-
Depreciation	-	-	104,558	104,558	98,270
Management	3,068	-	-	3,068	4,964
Fund Raising	2,828	-	-	2,828	3,693
TOTAL EXPENSES	<u>286,215</u>	<u>-</u>	<u>(9,694)</u>	<u>276,521</u>	<u>377,874</u>
CHANGE IN NET ASSETS	42,436	19,396	9,694	71,526	62,309
NET ASSETS, BEGINNING OF YEAR	<u>54,470</u>	<u>109,653</u>	<u>3,571,369</u>	<u>3,735,492</u>	<u>3,673,183</u>
NET ASSETS, END OF YEAR	<u>\$ 96,906</u>	<u>129,049</u>	<u>3,581,063</u>	<u>3,807,018</u>	<u>\$ 3,735,492</u>

The notes to the financial statements are an integral part of this statement.

See accompanying independent auditor's report.

CONESTEE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2013

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

EXPENSES	<u>PROGRAM</u>	<u>MANAGEMENT</u>	<u>FUND RAISING</u>	<u>2013 TOTAL</u>	<u>2012 TOTAL</u>
Auditing Fees	\$ 3,895	-	-	3,895	\$ 3,880
Computer support	202	-	-	202	844
Consulting Services	14,237	-	-	14,237	180,937
Contract Fees for Employees	76,716	2,828	2,828	82,372	76,738
Depreciation	1,798	-	-	1,798	-
Education and signage	10,730	-	-	10,730	-
Insurance	4,557	-	-	4,557	4,236
Land and Trail Maintenance	44,651	-	-	44,651	5,859
Legal	52	-	-	52	-
Miscellaneous	1,211	-	-	1,211	3,061
Printing	425	-	-	425	95
Property taxes	674	-	-	674	415
Supplies	2,128	240	-	2,368	895
Utilities and telecommunications	4,791	-	-	4,791	2,644
	<u>\$ 166,067</u>	<u>3,068</u>	<u>2,828</u>	<u>171,963</u>	<u>279,604</u>
Transfer of land and park infrastructure to Permanently Restricted				114,252	66,558
				<u>286,215</u>	<u>\$ 346,162</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

CONESTEE FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 71,526	\$ 62,309
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
(Increase) decrease in Accounts Receivable	(59,329)	31,716
Increase (decrease) in Accounts Payable	693	3,279
Depreciation	106,356	98,270
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>119,246</u>	<u>195,574</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land	-	(1,759)
Purchase of Building, park infrastructure and equipment	(126,837)	(64,799)
NET CASH USED IN INVESTING ACTIVITIES	<u>(126,837)</u>	<u>(66,558)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES		
Payment of Mortgage Note Payable	-	(50,000)
NET CASH USED IN FINANCING ACTIVITIES	<u>-</u>	<u>(50,000)</u>
NET INCREASE (DECREASE) IN CASH	(7,591)	79,016
CASH, BEGINNING OF YEAR	<u>167,884</u>	<u>88,868</u>
CASH, END OF YEAR	<u>\$ 160,293</u>	<u>\$ 167,884</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

CONESTEE FOUNDATION, INC.**STATEMENT OF FINANCIAL POSITION****DECEMBER 31, 2012**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2012 TOTAL
ASSETS				
Cash	\$ 57,402	110,482	-	\$ 167,884
Account Receivable	-	671	-	671
Land	3,214	-	1,910,013	1,913,227
Buildings, park infrastructure and equipment, net			1,649,833	1,649,833
Construction in Progress	-	-	11,523	11,523
TOTAL ASSETS	\$ 60,616	111,153	3,571,369	\$ 3,743,138
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable	\$ 6,146	1,500	-	\$ 7,646
TOTAL LIABILITIES	6,146	1,500	-	7,646
NET ASSETS				
Unrestricted	54,470	-	-	54,470
Temporarily Restricted	-	109,653	-	109,653
Permanently Restricted	-	-	3,571,369	3,571,369
TOTAL NET ASSETS	54,470	109,653	3,571,369	3,735,492
TOTAL LIABILITIES AND NET ASSETS	\$ 60,616	111,153	3,571,369	\$ 3,743,138

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

CONESTEE FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2012 TOTAL</u>
PUBLIC SUPPORT AND REVENUE				
Public Support				
Grants	\$ 94,422	274,008	-	\$ 368,430
Donations	16,332	54,589	-	70,921
Net Assets Released from Restrictions	257,406	(257,406)	-	-
TOTAL PUBLIC SUPPORT	<u>368,160</u>	<u>71,191</u>	<u>-</u>	<u>439,351</u>
Revenue				
Interest income	832	-	-	832
TOTAL REVENUE	<u>832</u>	<u>-</u>	<u>-</u>	<u>832</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>368,992</u>	<u>71,191</u>	<u>-</u>	<u>440,183</u>
EXPENSES				
Program	270,947	-	-	270,947
Transfer of land and park infrastructure to Permanently Restricted	66,558	-	(66,558)	-
Depreciation	-	-	98,270	98,270
Management	4,964	-	-	4,964
Fund Raising	3,693	-	-	3,693
TOTAL EXPENSES	<u>346,162</u>	<u>-</u>	<u>31,712</u>	<u>377,874</u>
CHANGE IN NET ASSETS	22,830	71,191	(31,712)	62,309
NET ASSETS, BEGINNING OF YEAR	<u>31,640</u>	<u>38,462</u>	<u>3,603,081</u>	<u>3,673,183</u>
NET ASSETS, END OF YEAR	<u>\$ 54,470</u>	<u>109,653</u>	<u>3,571,369</u>	<u>\$ 3,735,492</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

CONESTEE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>PROGRAM</u>	<u>MANAGEMENT</u>	<u>FUND RAISING</u>	<u>2012 TOTAL</u>
EXPENSES				
Auditing Fees	\$ 3,880	-	-	\$ 3,880
Computer support	844	-	-	844
Consulting Services	180,567	122	248	180,937
Contract Fees for Employees	68,465	4,842	3,431	76,738
Insurance	4,236	-	-	4,236
Land and Trail Maintenance	5,859	-	-	5,859
Miscellaneous	3,061	-	-	3,061
Printing	81	-	14	95
Property taxes	415	-	-	415
Supplies	895	-	-	895
Utilities and telecommunications	2,644	-	-	2,644
	<u>\$ 270,947</u>	<u>4,964</u>	<u>3,693</u>	<u>279,604</u>
Transfer of land and park infrastructure to Permanently Restricted				66,558
				<u>\$ 346,162</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

CONESTEE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operation

Conestee Foundation, Inc. (the “Foundation”) is a nonprofit organization founded in 2000 to develop the Lake Conestee Nature Park (LCNP) located in Greenville County, South Carolina. The Foundation receives third party donations and grants to acquire lands, develop the infrastructure outlined in the Master Plan for LCNP, operate LCNP and design and conduct outdoor educational programming. The Foundation has contracted with Hargett Resources, Inc to provide a part time executive director.

On February 3, 2014, the Foundation entered into a thirty (30) year lease with Greenville County (the “County”) whereby the Foundation agreed to lease LCNP to the County. Either party can however terminate the lease agreement with one hundred eighty (180) days notice. Under the agreement, the County will pay the Foundation \$120,000 per year commencing on July 1, 2013. The amount of the lease payment will be increased every two years based on the CPI Index of the Southern Region beginning with fiscal year July 1, 2015. Under the lease, the County agrees to perform all routine maintenance and repair and replacement of all trails, boardwalks, bridges and amenities at LCNP. The Foundation retains many rights including continued development of the property, environmental stewardship, environmental education programming and the ability to collect fees from its programming. The dam discussed in note 8 remains the responsibility of the Foundation. This agreement replaces all previous agreements with the Greenville County Recreation District (“GCRD”) that was merged into the County in 2013. It is now the Greenville County Department of Parks, Recreation and Tourism (“GCPRT”).

In February 2008, the Foundation signed a Service Agreement and an Operating Agreement with the Greenville County Recreation District (“GCRD”). The Service Agreement provides for GCRD to partially fund the Foundations’s operating expense. The current term of the Service Agreement, renewed on January 8, 2013, is for twelve months ending on December 31, 2013. The amount for 2013 and 2012 was \$60,000 and \$86,500, respectively. The Service Agreement was terminated upon the signing of the County lease discussed above.

The Operating Agreement, which expires in 2038, outlines GCRD responsibilities for the on-the-ground maintenance of LCNP. The Operating Agreement also states that the intent of the Foundation is to continue the development of property it owns by adding structures, altering land surfaces or by other means. The Operating Agreement was terminated upon the signing of the County lease discussed above.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may be or will be met either by actions of the Foundation or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets that consist of land and improvements primarily under a conservation easement that permanently restricts the use and provides for public access.

CONESTEE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization

The Foundation is nonprofit and exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no income taxes are provided in the financial statements. There was no unrelated business income for the years ended December 31, 2013 and 2012.

Cash and Cash Equivalents

For the statement of cash flows, the Foundation considers all instruments with a maturity of three months or less at date of purchase to be cash equivalents.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Conservation Easements

A conservation easement is an agreement between the Foundation and a qualified land trust in which the Foundation relinquishes some or all of the rights to develop the property. The easement is publicly recorded and is binding on all future owners of the property. The qualified land trust's principle responsibility is to ensure compliance with the terms of the easement. It meets this responsibility by periodically inspecting the property and, if necessary, taking appropriate action to enforce the easement.

The estimated value of a conservation easement is based on the development rights relinquished under the easement; that is, the amount of the reduction in fair market value resulting from the easement at the date it is recorded. This value is established at or near the recording date based on management's best estimate of the value based on relevant facts and circumstances. The Foundation has reduced the carrying value of its land under a conservation easement to reflect the reduction in fair market value at or near the date the easement was recorded.

Each conservation easement donated by the Foundation provides that it cannot be transferred or assigned to any person or entity except to an organization that is qualified under the Internal Revenue Code to receive easements and that has the commitment, ability, and resources, to meet its responsibilities and obligations under the easement and to take the necessary steps to protect the historic and conservation values of the property. Accordingly, there is no market for the conservation easement donated by the Foundation.

Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Foundation's management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

Subsequent Events

The financial statements were issued on March 6, 2014, and subsequent events have been evaluated through that date.

CONESTEE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 2 – LAND

Land is comprised of the following as of December 31, 2013 and 2012:

<u>Description</u>	<u>Acres</u>	<u>2013</u>	<u>2012</u>
Unrestricted			
Conestee village lots (3 in 2013 and 2012)	1	\$ 3,214	\$ 3,214
Total Unrestricted	1	3,214	3,214
Permanently Restricted			
Lake Conestee* (1)	151	200,000	200,000
Henderson Farm*	106	957,384	957,384
Forrester property* (2)	44	409,374	409,374
Breazeale Farm* (3)	86	117,171	117,171
Augusta Acres* (4)	7	43,264	43,264
Raines and Metro Sewer parcels	1	32,073	32,073
Conestee village lots (21 in 2013 and 2012)	6	150,747	150,747
Total Permanently Restricted	401	1,910,013	1,910,013
Total Land	402	\$ 1,913,227	\$ 1,913,227

* This land is under the Amended and Restated Conservation Easement.

(1) Approximately 6 acres of this property are not under the Easement.

(2) Approximately 4 acres of this property are not under the Easement.

(3) Approximately 5 acres of this property are not under the Easement.

(4) Approximately 5 acres of this property are not under the Easement.

All parcels are located in Greenville County, South Carolina.

On January 16, 2009, the Foundation agreed to swap 12 acres from the Forrester property with 15 acres adjacent to the Forrester property and along the Reedy River with the City of Greenville for no additional cost.

The Foundation used the 15 acres for natural trails and to connect the east and west sides of LCNP along the Reedy River with a 215 foot pedestrian bridge. These 15 acres are included in the Amended and Restated Conservation Agreement (see Note 9). The City has leased the 12 acres along with other adjacent property including an existing minor league professional baseball stadium to the GCPRT to build 4 new Little League baseball fields, renovate the existing baseball stadium and create a main entrance and parking for LCNP and the ball fields. The lease between the City and the GCPRT is for 40 years.

NOTE 3 – BUILDINGS, PARK INFRASTRUCTURE AND EQUIPMENT

Buildings, park infrastructure and equipment with a useful life of at least 3 years and with a cost or value greater than \$10,000 are recorded at original cost if purchased and recorded at fair market value if donated. Buildings, park infrastructure and equipment consist of a rehabilitated park building used as the Foundation office, entrance gateways, observation decks, helical piers and boardwalks, natural trails, a 215 foot structural pedestrian bridge connecting the park lands on the east and west sides of the Reedy River, paved trails which are part of the Greenville County Swamp Rabbit Trail and maintenance equipment. Depreciation is provided on a straight line method over an estimated useful life of 20 years for buildings and park infrastructure and 10 years for equipment.

Buildings and park infrastructure are permanently restricted. Equipment is unrestricted.

CONESTEE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 3 – BUILDINGS, PARK INFRASTRUCTURE AND EQUIPMENT (CONTINUED)

Buildings, park infrastructure and equipment are comprised of the following at December 31, 2013 and 2012:

<u>Description</u>	<u>2013</u>	<u>2012</u>
Gosset Moran Office Building	\$ 44,567	\$ 44,567
Equipment	12,585	-
Entrance gateways	53,276	53,276
Paved and natural trails and boardwalks	1,409,009	1,283,234
Pedestrian Bridge over Reedy River	610,958	610,958
Total land improvements	2,130,395	1,992,035
Less accumulated depreciation	(448,558)	(342,202)
Total land improvements, net	<u>\$ 1,681,837</u>	<u>\$ 1,649,833</u>

NOTE 4 – CONSTRUCTION IN PROGRESS

Costs totaling \$11,523 for Phase IV natural trails are shown as Construction in Progress in the Statement of Financial Position as of December 31, 2012. As of December 31, 2013, this project has been completed and placed into service.

NOTE 5 – CONCENTRATION OF CREDIT RISK

The Foundation maintains its bank accounts at one bank. Accounts at an institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Cash at this bank did not exceed federally insured limits as of December 31, 2013 and 2012.

NOTE 6 – LINE OF CREDIT

The Foundation has a \$150,000 unsecured line of credit with interest at prime plus 1.5% (with a floor of 4.75%). The line of credit will be reviewed annually by the bank beginning on September 27, 2013. No balances were drawn during 2013 or 2012.

NOTE 7 – MORTGAGE NOTE PAYABLE

In July 2011 the Foundation entered into a mortgage note payable in the amount of \$50,000 in connection with the acquisition of certain land parcels in 2011. The note carries an interest rate of 0.5%. A principal payment of \$25,000 was paid when due on January 31, 2012; the remaining principal of \$25,000 plus interest was paid on September 30, 2012.

CONESTEE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 8 – TEMPORARILY RESTRICTED FUNDS

Temporarily restricted grants received in 2013 and 2012 are comprised of the following:

	<u>2013</u>	<u>2012</u>
Greenville County Hospitality Tax - Capital Improvement	\$ 7,326	\$ 16,756
Grants to Build Trails and Park Infrastructure	114,376	671
Grant for Education Programs	70,964	-
Grant for Technology	3,704	-
Grant for Land Acquisition	-	78,000
Grant for Interim Repairs to the Dam and Engineering Studies	-	178,581
Total	<u>\$ 196,370</u>	<u>\$ 274,008</u>

Greenville County Hospitality Tax Capital Improvement

In March 2008, the Foundation signed an agreement with the County whereby the County will provide up to \$2 million in capital grants for the constructing of additional nature, hiking and biking trails, construction of a pedestrian bridge and other projects. The County will fund these grants using a portion of the proceeds from Certificates of Participation bonds secured by future Hospitality Tax revenues.

As of December 31, 2011, construction was completed on both Phase II and Phase III paved trails and boardwalks, construction of a 215 foot pedestrian bridge over the Reedy River and the renovations of an existing house that is now used as the LCNP office. Additional land was also purchased along the trails. During 2012, work was begun on Phase IV trails consisting of three natural surface trails. This project was completed in early 2013. As of December 31, 2013, this \$2 million grant is complete.

Grants to build trails

The Foundation received a third SCPRT grant of \$100,000 in 2010 for the completion of Phase IV natural surface trails that were constructed in 2012 and 2013. The grant required a local match of \$25,000.

As part of Hands On Greenville (HOG Day), the Foundation received a grant of \$15,047 to purchase materials for park infrastructure improvements. As of December 31, 2013, all work was completed.

Grant for land acquisition

In 2012, the Foundation was awarded a \$78,000 grant to be used primarily for the acquisition of additional land parcels and for other purposes as decided by the Foundation Board. As of December 31, 2013, approximately \$65,000 is available for future acquisitions.

Grant for interim repairs to the dam and engineering studies

As noted in a study that was completed in 2008, the Lake Conestee Dam is in need of future restoration along with immediate repairs and maintenance. The repairs and maintenance include the periodic removal of large woody debris, removal of vegetation atop and adjacent to the dam, removal of nonfunctional hardware atop the dam, and design and completion of temporary repairs to the penstock and sluice gates. Engineering studies and dam restoration design will be needed along with the possible removal of sediment wedged behind the dam and the construction of a buttressing wall across the face of the existing dam.

The Foundation was awarded a \$200,000 grant from the Environmental Protection Agency (“EPA”), South Carolina Brownfields Cleanup Revolving Loan Fund (“BCRLF”), Cleanup Grant Funds to perform interim corrective measures on the Conestee Dam and complete preliminary engineering and design services, including cost estimates

CONESTEE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 8 – TEMPORARILY RESTRICTED FUNDS (CONTINUED)

Grant for interim repairs to the dam and engineering studies (continued)

to identify more permanent solutions. The grant is a reimbursable grant and during 2012 and 2011, the Foundation received \$178,581 and \$21,419, respectively. The project was completed in 2012.

The amount of the future repairs and maintenance is currently undeterminable and the source to fund these future costs has not been identified.

Environmental Education Program Development

In 2010, the Foundation was awarded three grants totaling \$47,500, to develop an innovative environmental education experience that: 1) gets students outdoors; 2) provides lessons on environmental science principles centered around the ecosystems, physical setting, and history of the park; and 3) utilizes the internet to deliver the related educational content. The plan also calls for establishing up to 40 learning stations along the trails. In 2013, the Foundation was awarded a fourth grant for \$15,000, to complete the project.

The grant should be completed in 2014.

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS

On November 16, 2005, the Foundation granted and recorded in the public records a conservation easement to Upstate Forever, a qualified land trust, that significantly restricts the use of the Lake Conestee and Henderson Farm properties currently owned by the Foundation, and provides for public access to the LCNP.

On June 19, 2009 the Foundation granted and recorded in the public records an Amended and Restated Conservation Easement to Upstate Forever, a qualified land trust, that added approximately 125 acres to the existing easement. The easement, totaling approximately 374 acres, continues to significantly restrict the use of the LCNP property and provides for public access to LCNP.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Voluntary Cleanup Contract

The Foundation entered into a Voluntary Cleanup Contract (“VCC”) with the South Carolina Department of Health and Environmental Control (DHEC) under the Environmental Protection Agency (EPA) Targeted Brown Fields program to manage the original lake bed site for its intended use as the Lake Conestee Nature Park. The VCC was finalized in 2007, and a restrictive covenant was recorded in the public records on October 25, 2007, in Greenville County, South Carolina requiring the Foundation to manage the use of the site to provide reasonable protection to the public. The VCC is conditional on continued groundwater monitoring. The first annual monitoring was substantially completed in 2008. Based on the results from the first year monitoring, DHEC has waived the requirement for future monitoring.

Other

The Foundation is dependent upon grants, contracts, and contributions. The Foundation must apply for renewals of grants and contracts. Funding is subject to increases or decreases at the discretion of the contractors, grantors or donors.

The Foundation was awarded a South Carolina Parks Recreation and Tourism 2013 and 2014 trails reimbursable grant in the amount of \$100,000 each to build two connecting trails within the park. The grant requires matching

CONESTEE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Other (continued)

funds of a minimum of \$25,000 for each grant. Construction is expected to begin in 2014 on both grants. The Foundation has commitments from the County to match up to \$200,000 for both projects.

NOTE 11 – RELATED PARTY

The volunteer Chairman of the Foundation is a member of the Board of Directors of Upstate Forever.

Hargett Resources, Inc provides the Foundation's part time Executive Director and was also engaged to complete the engineering studies and interim corrective measures on the dam in the amount of \$190,000.