

NORTH COUNTRY TRAIL ASSOCIATION, INCORPORATED

FINANCIAL STATEMENTS

For the year ended
December 31, 2016

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INDEPENDENT AUDITORS' REPORT

March 2, 2017

Board of Directors
North Country Trail Association, Incorporated
Lowell, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of North Country Trail Association, Incorporated (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the year ended, December 31, 2016 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 North Country Trail Association, Incorporated as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the North Country Trail Association, Incorporated's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 29, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2017, on our consideration of North Country Trail Association, Incorporated'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 North Country Trail, Incorporated's internal control over financial reporting and compliance.



Certified Public Accountants

FINANCIAL STATEMENTS

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STATEMENTS OF FINANCIAL POSITION

NORTH COUNTRY TRAIL ASSOCIATION, INCORPORATED

December 31, 2016 and 2015

ASSETS

	2016	2015
Current Assets		
Cash and cash equivalents	\$ 309,035	\$ 293,305
Investments	70,886	50,153
Government receivable	22,206	11,978
Pledges receivable	-	38,000
Prepaid expenses	5,212	5,690
Inventory	4,702	4,217
Total Current Assets	412,041	403,343
Property and Equipment		
Land and building	20,000	20,000
Software and equipment	25,355	25,355
Trail equipment	12,559	12,559
	57,914	57,914
Less: accumulated depreciation	37,148	36,273
Net Property and Equipment	20,766	21,641
	\$ 432,807	\$ 424,984

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 13,736	\$ 19,288
Accrued payroll and payroll liabilities	8,403	7,148
Deferred revenue	-	7,617
Total Current Liabilities	22,139	34,053
Net Assets		
Unrestricted net assets	329,898	331,129
Temporarily restricted net assets	80,770	59,802
Total Net Assets	410,668	390,931
	\$ 432,807	\$ 424,984

STATEMENTS OF ACTIVITIES

NORTH COUNTRY TRAIL ASSOCIATION, INCORPORATED

For the year ended December 31, 2016

With comparative totals for 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Support		
Contributions:		
Donations	\$ 419,040	\$ 74,560
Government contributions	511,756	-
Program revenue	28,970	-
Merchandise sales	37,060	-
Rental fees	7,460	-
Interest and dividend income	2,153	-
Unrealized gain (loss) on investments	7,354	-
Other income	11,138	-
Net assets released from restrictions	53,592	(53,592)
Total Support	1,078,523	20,968
Disbursements		
Program services:		
Public service, education and cartography	225,181	-
Trail work and planning	263,372	-
Networking and volunteer support	310,933	-
Supporting services:		
Management and general	115,826	-
Fundraising	164,442	-
Total Disbursements	1,079,754	-
Change in Net Assets	(1,231)	20,968
Net Assets - Beginning of year	331,129	59,802
Net Assets - End of year	\$ 329,898	\$ 80,770

2016	2015
\$ 493,600	\$ 460,856
511,756	474,149
28,970	3,968
37,060	23,262
7,460	9,038
2,153	1,812
7,354	(1,684)
11,138	5,041
-	-
1,099,491	976,442
225,181	217,007
263,372	226,682
310,933	241,064
115,826	130,387
164,442	153,346
1,079,754	968,486
19,737	7,956
390,931	382,975
\$ 410,668	\$ 390,931

STATEMENTS OF FUNCTIONAL EXPENSES

NORTH COUNTRY TRAIL ASSOCIATION, INCORPORATED

For the year ended December 31, 2016

With comparative totals for 2015

	Program Services			Total
	Public Service, Education and Cartography	Trail Work and Planning	Networking and Volunteer Support	
Salaries, wages and benefits	\$ 64,335	\$ 182,267	\$ 122,570	\$ 369,172
Payroll taxes	4,546	11,597	9,100	25,243
Advertising and promotion	2,224	-	1,000	3,224
Affiliate agreements	-	5,633	-	5,633
Bank/credit card charges	-	-	4,887	4,887
Computer equipment	11,863	1,550	4,949	18,362
Depreciation	-	-	875	875
Development expenses	-	-	-	-
Dues and subscriptions	1,819	90	8,526	10,435
Insurance	-	-	-	-
Intern stipend	1,120	-	10,740	11,860
Licenses and fees	155	-	225	380
Meeting expenses	-	1,735	461	2,196
Northstar expense	-	-	30,357	30,357
Office equipment	-	-	3,980	3,980
Office supplies	1,421	1,005	5,597	8,023
Outreach and hospitality	3,767	-	8,128	11,895
Postage	1,561	352	12,268	14,181
Printing and photographs	10,567	9,295	(200)	19,662
Professional fees	131	652	523	1,306
Recruiting	-	-	-	-
Rent	2,434	766	9,460	12,660
Repairs and maintenance	150	62	771	983
Program events	2,037	-	28,613	30,650
Telephone and internet	-	3,556	6,874	10,430
Trail equipment and supplies	50,256	588	313	51,157
Trail maintenance	49,987	6,213	-	56,200
Trail protection	9,530	8,382	-	17,912
Trail shop merchandise	1,359	-	15,669	17,028
Travel expenses	3,677	29,508	8,430	41,615
Utilities	1,815	121	1,500	3,436
Volunteer training/recognition	187	-	12,333	12,520
Website fees	240	-	2,984	3,224
Workers' compensation	-	-	-	-
	\$ 225,181	\$ 263,372	\$ 310,933	\$ 799,486

Supporting Services

Management and General	Fundraising	2016	2015
\$ 61,481	\$ 106,962	\$ 537,615	\$ 501,281
4,649	6,797	36,689	34,950
-	5	3,229	1,662
-	-	5,633	6,334
-	-	4,887	3,341
-	-	18,362	14,791
-	-	875	1,094
-	38,380	38,380	37,532
199	81	10,715	9,926
8,806	-	8,806	9,008
-	-	11,860	4,570
484	-	864	1,353
313	55	2,564	2,882
-	-	30,357	29,622
-	-	3,980	1,506
103	492	8,618	9,904
-	3,903	15,798	14,911
-	1,679	15,860	10,895
-	-	19,662	13,410
9,041	260	10,607	10,353
372	-	372	387
1,379	957	14,996	14,996
112	78	1,173	1,342
-	-	30,650	2,614
-	720	11,150	8,888
-	-	51,157	42,658
-	-	56,200	80,340
-	-	17,912	2,000
-	-	17,028	8,917
26,467	3,921	72,003	65,159
219	152	3,807	4,389
162	-	12,682	11,863
-	-	3,224	3,065
2,039	-	2,039	2,543
\$ 115,826	\$ 164,442	\$ 1,079,754	\$ 968,486

STATEMENTS OF CASH FLOWS

NORTH COUNTRY TRAIL ASSOCIATION, INCORPORATED

For the years ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Cash received from donors and operations	\$ 1,110,139	\$ 912,017
Interest received	2,153	1,812
Cash paid to suppliers and for operating expenses	(1,083,183)	(976,740)
Net Cash Provided by (Used for) Operating Activities	29,109	(62,911)
Cash Flows from Investing Activities		
Purchases of investments	(13,379)	(2,748)
Net Increase (Decrease) in Cash	15,730	(65,659)
Beginning Cash	293,305	358,964
Ending Cash	\$ 309,035	\$ 293,305
Reconciliation of Change in Net Assets to Net Cash Provided by (Used for) Operating Activities		
Change in net assets	\$ 19,737	\$ 7,956
Adjustments used for change in net assets to net cash provided by (used for) operating activities:		
Depreciation	875	1,094
Unrealized (gain) loss on investments	(7,354)	1,684
(Increase) decrease in current assets:		
Government receivable	(10,228)	(11,978)
Pledges receivable	38,000	(38,000)
Prepaid expenses	478	(957)
Inventory	(485)	294
Increase (decrease) in current liabilities:		
Accounts payable	(5,552)	(14,764)
Accrued payroll and payroll liabilities	1,255	6,079
Deferred revenue	(7,617)	(14,319)
Net Cash Provided by (Used for) Operating Activities	\$ 29,109	\$ (62,911)

NOTES TO FINANCIAL STATEMENTS

NORTH COUNTRY TRAIL ASSOCIATION, INCORPORATED

For the year ended December 31, 2016

Note A – Nature of Organization and Significant Accounting Policies

Nature of Organization

The North Country Trail Association, Incorporated (Association) is a not-for-profit entity that develops, maintains, protects, and promotes the North Country National Scenic Trail as the premier hiking path across the northern tier of the United States. Support comes primarily from various government funding, contributions from charitable organizations, and membership dues and contributions.

Basis of Accounting and Financial Statement Presentation

The accompanying financial statements of the Association have been prepared on the accrual basis of accounting, recording revenue when earned rather than when received, and recording expenses when incurred rather than when paid. The Association 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.

Concentration of Support

The Association received grants from the National Park Service, a division of the United States Department of the Interior, of \$459,713 and \$425,707 in 2016 and 2015, respectively. These grants represented approximately 43% and 44% of the Association's total revenue in 2016 and 2015, respectively.

Cash and Cash Equivalents

The Association considers all demand bank deposits with an initial maturity of three months or less to be cash equivalents. The checking and savings accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per banking institution. From time to time during the year, the Association may have cash in a bank checking or savings account in excess of the federally insured limit.

Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the statement of financial position. Unrealized gains and losses are included as changes in net assets in the statements of activities.

The Association invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that change in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of financial position.

NOTES TO FINANCIAL STATEMENTS

NORTH COUNTRY TRAIL ASSOCIATION, INCORPORATED

For the year ended December 31, 2016

Note A – Nature of Organization and Significant Accounting Policies (Continued)

Government Receivables

Government receivables are stated at the amount management expects to collect from outstanding balances. Management has reviewed the balances that comprise the various categories of government receivables and determined such balances to be fully collectible. Accordingly, no provision for uncollectible accounts is included in the financial statements. If amounts become uncollectible, a provision for the potential loss will be charged to operations when that determination is made.

Pledges Receivable

Pledges receivable represent unconditional promises to give and are recognized as revenues in the period promised and as assets, decreases in liabilities, or expenses depending on the form of the benefits to be received. Conditional pledges receivable are recognized when the conditions on which they depend are substantially met.

The Association evaluates pledges receivable for uncollectible pledges based upon historical loss experience and current economic conditions. Management feels that the balance is fully collectible and accordingly no valuation allowance has been recorded.

Inventory

Inventory is stated at lower of cost or market, with cost determined by the first-in, first-out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value on the date of acquisition. The Organization capitalizes all expenditures for property and equipment in excess of \$5,000. Additions and improvements are capitalized; expenditures for routine maintenance are charged to operations. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation is computed using the Modified Accelerated Cost Recovery System (MACRS) for both financial reporting and tax purposes over the following estimated useful lives of the assets.

Software and equipment	3 - 5 years
Trail equipment	7 years

The building and related land, which is a historic schoolhouse located in White Cloud, Michigan, is stated at fair market value at the time of donation. The schoolhouse is not being depreciated.

NOTES TO FINANCIAL STATEMENTS

NORTH COUNTRY TRAIL ASSOCIATION, INCORPORATED

For the year ended December 31, 2016

Note A – Nature of Organization and Significant Accounting Policies (Continued)

Deferred Revenue

Deferred revenue represents grants received for which related expenditures required by the grants have not yet been made.

Net Assets

The Association reports information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired.
- Temporarily restricted net assets contain donor-imposed restrictions that permit the Association to use or expend the assets as specified. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions when the restrictions are satisfied either by the passage of time or by actions of the Association. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Association reports the support as unrestricted.
- Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Association to use or expend part or all of the income derived from the donated assets for specific purposes. Investment earnings available for distribution are recorded in unrestricted net assets.

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions with donor imposed stipulations that are met in the same year as received or earned are reported as unrestricted revenue.

NOTES TO FINANCIAL STATEMENTS

NORTH COUNTRY TRAIL ASSOCIATION, INCORPORATED

For the year ended December 31, 2016

Note A – Nature of Organization and Significant Accounting Policies (Continued)

Donated Services

Donated services are recognized as contributions in accordance with generally accepted accounting principles, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association.

For the fiscal years ended December 31, 2016 and 2015, management reports that volunteers contributed approximately 69,708 and 66,166 hours of service, respectively.

These contributions, although clearly substantial, are not recognized as contributions in the financial statements since the recognition criteria stated above was not met.

Income Tax Status

The Association is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Association evaluates tax positions taken on its federal Exempt Organization Business Income Tax Returns in accordance with generally accepted accounting principles, which require that tax positions taken be more-likely-than-not to be sustained. Management believes that the Association has no significant unrecognized tax benefits under that criteria. Penalties and interest, if any, assessed by income taxing authorities are included in operating expenses. The Association's federal Exempt Organization Business Income Tax Returns are generally subject to examination by taxing authorities for three years after they are filed.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Fundraising costs include both direct and indirect costs related to the solicitation of contributions from the general public.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from the estimates that were used.

NOTES TO FINANCIAL STATEMENTS

NORTH COUNTRY TRAIL ASSOCIATION, INCORPORATED

For the year ended December 31, 2016

Note A – Nature of Organization and Significant Accounting Policies (Continued)

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report which is the date the financial statements were available to be issued.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Reclassifications

Certain prior year financial statement amounts have been reclassified to conform with the current year's presentation.

Note B – Investments

Investments are recorded at fair market value. Investments consist of the following:

	<u>2016</u>	<u>2015</u>
Index Funds	\$ 70,886	\$ 50,153

Investment income consists of the following amounts for the years ended December 31, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Unrealized gain (loss) on investments	\$ 7,354	\$ (1,684)
Interest and dividend income	2,153	1,812
	<u>\$ 9,507</u>	<u>\$ 128</u>

NOTES TO FINANCIAL STATEMENTS

NORTH COUNTRY TRAIL ASSOCIATION, INCORPORATED

For the year ended December 31, 2016

Note C – Pledges Receivables

Pledges receivables consist of amounts due from donors:

	2016	2015
Receivable in less than one year	\$ -	\$ 38,000

Note D – Leases

The Association leases office space in Lowell under a five year lease that requires monthly payments of \$1,200. The lease expires in March 2019. The lease expense for the years ended December 31, 2016 and 2015 was \$14,996. Future minimum lease payments are as follows:

Year ending December 31, 2017	\$	14,400
2018		14,400
2019		2,400

Note E – Fair Value Measurement

The Association's investments are reported at fair value in the accompanying financial statements. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Accounting principles generally accepted in the United States of America establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1- Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2- Quoted prices in markets that are not considered active or financial instruments for which significant inputs include quoted prices for similar assets or liabilities, interest rates, credit risk, etc.

Level 3- Significant unobservable inputs, which may include the Association's own assumptions in determining fair value.

NOTES TO FINANCIAL STATEMENTS

NORTH COUNTRY TRAIL ASSOCIATION, INCORPORATED

For the year ended December 31, 2016

Note E – Fair Value Measurement (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Assets measured at fair value on a recurring basis comprise the following:

Description	Fair Value December 31, 2016	Level 1 Based on Quoted Prices in Active Markets
Index funds	\$ 70,886	\$ 70,886

Description	Fair Value December 31, 2015	Level 1 Based on Quoted Prices in Active Markets
Index funds	\$ 50,153	\$ 50,153

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the year ended December 31, 2016, there were no significant transfers into or out of levels 1, 2 or 3.

Note F – Restrictions on Net Assets

Temporarily restricted net assets at December 31, 2016 relate to funds donated that were designated for a specific future use. Temporarily restricted net assets consist of funds related to trail protection, grant funds, and other land and trail projects.

Note G – Retirement Plans

The Association has a tax-deferred 403(b) retirement plan for employees who meet certain qualifications. Under the plan, the Association has the discretion of matching 100% of the employees' contributions up to a maximum match of 5% for employees' gross pay. The Association's 403(b) contributions for the years ended December 31, 2016 and 2015 were \$14,327 and \$14,573, respectively.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

March 2, 2017

Board of Directors
North Country Trail Association, Incorporated

We have audited, in accordance with the 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, the financial statements of North Country Trail Association, Incorporated (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 2, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Country Trail Association, Incorporated's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Country Trail Association, Incorporated's internal control. Accordingly, we do not express an opinion on the effectiveness of North Country Trail Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Country Trail Association, Incorporated's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Hungerford Nichols".

Certified Public Accountants