

**TENNESSEE PARKS  
AND GREENWAYS FOUNDATION**

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2012**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Tennessee Parks and Greenways Foundation  
Nashville, Tennessee

We have audited the accompanying financial statements of Tennessee Parks and Greenways Foundation (a Tennessee nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tennessee Parks and Greenways Foundation as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other-Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 18-19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Grannis & Associates, P. C.*

Murfreesboro, Tennessee

May 24, 2013

**TENNESSEE PARKS AND GREENWAYS FOUNDATION**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2012**

**ASSETS**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash	\$ 713,337	\$ 367,964	\$ 20,041	\$ 1,101,342
Unconditional promises to give	-	57,031	-	57,031
Due from employees	5,474	-	-	5,474
Stock	7,437	-	-	7,437
Community foundation trusts	48,358	-	-	48,358
Property and equipment, net	291,673	-	-	291,673
Due (to) from unrestricted	(509,667)	509,667	-	-
Land	1,553,038	-	32,000	1,585,038
<b>TOTAL ASSETS</b>	<b>\$ 2,109,650</b>	<b>\$ 934,662</b>	<b>\$ 52,041</b>	<b>\$ 3,096,353</b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 1,798	\$ -	\$ -	\$ 1,798
Accrued payroll	5,474	-	-	5,474
Notes payable	281,952	-	-	281,952
<b>TOTAL LIABILITIES</b>	<b>289,224</b>	<b>-</b>	<b>-</b>	<b>289,224</b>

**NET ASSETS**

Unrestricted	1,820,426	-	-	1,820,426
Temporarily restricted	-	934,662	-	934,662
Permanently restricted	-	-	52,041	52,041
<b>TOTAL NET ASSETS</b>	<b>1,820,426</b>	<b>934,662</b>	<b>52,041</b>	<b>2,807,129</b>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,109,650</b>	<b>\$ 934,662</b>	<b>\$ 52,041</b>	<b>\$ 3,096,353</b>
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See Notes to Financial Statements

**TENNESSEE PARKS AND GREENWAYS FOUNDATION**

**STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>SUPPORT AND REVENUES</u></b>				
Contributions	\$ 407,330	\$ 353,145	\$ -	\$ 760,475
Realized gains on investments	1,607	-	-	1,607
Unrealized gains on investments	3	-	-	3
Interest income	5,985	409	-	6,394
Solar array income	3,667	-	-	3,667
Loss on disposal of assets	(155,678)	-	-	(155,678)
Rent	200	-	-	200
	<u>263,114</u>	<u>353,554</u>	<u>-</u>	<u>616,668</u>
Net assets released from donor restrictions	<u>369,351</u>	<u>(369,351)</u>	<u>-</u>	<u>-</u>
Total Support and Revenues	<u>632,465</u>	<u>(15,797)</u>	<u>-</u>	<u>616,668</u>
<b><u>FUNCTIONAL EXPENSES</u></b>				
Program services	501,174	-	-	501,174
Management and general	<u>107,298</u>	<u>-</u>	<u>-</u>	<u>107,298</u>
Total Functional Expenses	<u>608,472</u>	<u>-</u>	<u>-</u>	<u>608,472</u>
<b><u>CHANGE IN NET ASSETS</u></b>	23,993	(15,797)	-	8,196
<b><u>NET ASSETS AT BEGINNING OF YEAR</u></b>	<u>1,796,433</u>	<u>950,459</u>	<u>52,041</u>	<u>2,798,933</u>
<b><u>NET ASSETS AT END OF YEAR</u></b>	<u>\$ 1,820,426</u>	<u>\$ 934,662</u>	<u>\$ 52,041</u>	<u>\$2,807,129</u>

See Notes to Financial Statements

TENNESSEE PARKS AND GREENWAYS FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 8,196
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	4,916
Realized (gains) losses on investments	(1,607)
(Gain) loss on sale of assets	155,678
Decrease in promises to give	52,113
Increase in due from employees	(5,474)
Decrease in prepaid rent	525
Increase in beneficial interest in perpetual trusts	(6,516)
Increase in accounts payable	1,798
Increase in accrued payable	5,474
Net Cash Provided By Operating Activities	<u>215,103</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of land and improvements	(501,106)
Purchase of fixed assets	(257,991)
Proceeds from sale of assets	1,043,785
Net Cash Provided In Investing Activities	<u>284,688</u>

CASH FLOWS FROM FINANCING ACTIVITIES

New borrowings of notes payable	50,000
Payment on notes payable	(200,000)
Net Cash Used in Financing Activities	<u>(150,000)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	349,791
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>751,551</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,101,342</u>

Non-cash financing activity:

Purchase of land by issuance of note payable	<u>\$ 31,952</u>
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See Notes to Financial Statements

# TENNESSEE PARKS AND GREENWAYS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Tennessee Parks and Greenways Foundation (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity.

#### Nature of organization

The Organization is a Tennessee nonprofit corporation chartered on July 26, 1994 as the Tennessee State Parks Foundation. The Foundation was reorganized in November 1997 as the Tennessee Parks and Greenways Foundation. Its purpose is to protect Tennessee's natural treasures. The Organization is supported primarily by contributions.

#### Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis and accordingly reflect all significant receivables, payables, and other liabilities.

#### Basis of presentation

The Organization is required to report 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.

#### Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

#### Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Certificates of deposit totaling \$534,824 are included in cash in the accompanying financial statements. The certificates bear interest ranging from 1.00% to 2.00% and have maturities ranging from six to twenty-four months. Any penalties for early withdrawal would not have a material effect on the financial statements.

#### Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.



# TENNESSEE PARKS AND GREENWAYS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2012

### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Contributions (continued)

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise.

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

#### Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

Costs are allocated between management and general or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

#### Unemployment Compensation

The Organization chose to be self-insured for unemployment compensation purposes. Any unemployment claims filed will be required to be paid by the Organization.

#### Income taxes

The Organization qualifies as a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the Organization qualifies for the charitable contribution deduction and has been classified by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

The Financial Accounting Standards Board issued ASC 740-10, which prescribed a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. The Organization believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

# TENNESSEE PARKS AND GREENWAYS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2012

### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Income taxes (continued)

The Organization's Federal Return of Organization Exempt From Income Tax (Form 990) are subject to examination by the IRS, generally for three years after they were filed.

#### Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

#### Advertising

The Organization follows the policy of charging the costs of advertising to expense as incurred.

#### Property and equipment

Property and equipment are those assets used in the operations of the Organization. They are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Maintenance and repair costs are charged to expense as incurred.

Depreciation is recorded using the straight-line method at various rates calculated to allocate the cost of the respective items over their estimated useful lives. Depreciation for the year ended December 31, 2012 was \$4,916.

### **NOTE B - CONCENTRATION OF CREDIT RISK**

The Organization maintains its cash balances in various financial institutions and brokerage accounts. Some account balances at the financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. Deposits at FDIC-insured institutions are now insured up to at least \$250,000 per depositor through December 31, 2013. At December 31, 2012, the Organization's uninsured cash balances total \$171,148.

### **NOTE C - RESTRICTIONS ON NET ASSETS**

Unrestricted net assets at December 31, 2012 consist of:

Unrestricted - Undesignated	\$ 1,365,430
Board Designated - Ancient Sites Fund	200,000
Board Designated - Operating Reserve	159,106
Board Designated - House Maintenance	15,500
Board Designated - Gary Myers Fishing Fund	15,000
Board Designated - Easement Stewardships	65,390
	<u>\$ 1,820,426</u>

**TENNESSEE PARKS AND GREENWAYS FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**DECEMBER 31, 2012**

**NOTE C - RESTRICTIONS ON NET ASSETS (continued)**

Temporarily restricted net assets at December 31, 2012 are available for the following purposes:

Emergency Land Bank	\$ 393,624
Grants	228,455
Easement Stewardships	101,932
Cummins Falls	56,286
Virgin Falls	47,744
Devil's Race Track / National Coal Settlement	40,000
Land Protection / Apollo Fuels	37,705
Landscaping Fund	4,000
Ancient Sites	1,000
Lucy Finch Endowment	768
Other	23,148
	<u>\$ 934,662</u>

Temporarily restricted assets released from restrictions for the year ended at December 31, 2012:

Virgin Falls	\$ 255,220
Land Protection / Apollo Fuels	46,800
Cumming Falls	15,772
Emergency Land Bank	1,859
Grants	500
Lucy Finch Endowment	41
Other	49,159
	<u>\$ 369,351</u>

Permanently restricted net assets consist of the following at December 31, 2012:

Land	\$ 32,000
Lucy B Finch Conservation Endowment	20,041
	<u>\$ 52,041</u>

**NOTE D - PROMISES TO GIVE**

Unconditional promises to give at December 31, 2012, are as follows:

Mississippi River	\$ 34,908
Cummins Falls	9,623
Easement Endowment	7,500
Other	5,000
	<u>\$ 57,031</u>
Receivable in less than one year	\$ 35,274
Receivable in one to five years	21,757
	57,031
Less allowance for uncollectible promises to give	-
Net unconditional promises to give	<u>\$ 57,031</u>

**TENNESSEE PARKS AND GREENWAYS FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**DECEMBER 31, 2012**

**NOTE E - PROPERTY AND EQUIPMENT AND ACCUMULATED DEPRECIATION**

Depreciable assets:

Land	\$ 231,124
Building	50,735
Equipment	24,845
Less accumulated depreciation	<u>(15,031)</u>
	<u>\$ 291,673</u>

**NOTE F - CONSERVATION EASEMENTS**

The Organization is involved in receiving donations of conservation easements. A qualified conservation easement is a restriction (that is granted in perpetuity) on the use of land granted to a qualified charitable donee exclusively for conservation purposes. These financial statements do not reflect their value, but approximately 3,598.97 acres are currently protected with an appraised value at the date of donation of \$9,866,408.

**NOTE G - DEFINED CONTRIBUTION PLAN**

The Organization has a defined contribution plan (the Plan) covering all employees with at least three years of service. The Organization makes a contribution to the Plan each year equal to 6% of all the participant's compensation. Total expense for the year ended December 31, 2012 was \$9,513.

**NOTE H - EMERGENCY LAND BANK**

The Organization established an internal fund called the Emergency Land Bank in 2002. The Organization uses monies from the Emergency Land Bank to provide working capital for time sensitive critical land and water projects throughout Tennessee. The money borrowed from the fund must be repaid with interest, usually within twelve months. The Organization has a total of \$594,624 set-aside or restricted for this use. Current borrowings against the Emergency Land Bank total \$396,575 leaving \$198,049 available for use as of December 31, 2012.

The Organization also received permission to borrow \$276,045 from the McKnight Grant to purchase Randolph Bluff.

	Unrestricted	Temporarily Restricted	Total
Emergency Land Bank	\$ 162,953	\$ 233,622	\$ 396,575
McKnight Grant	<u>-</u>	<u>276,045</u>	<u>276,045</u>
Total amount of borrowings	<u>\$ 162,953</u>	<u>\$ 509,667</u>	<u>\$ 672,620</u>

**TENNESSEE PARKS AND GREENWAYS FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**DECEMBER 31, 2012**

**NOTE I - NOTES PAYABLE**

At December 31, 2012, notes payable consists of the following:

Interest free loan agreement to an individual due on demand.	\$ 200,000
Interest free loan to an individual, the principal balance is due on August 27, 2014.	50,000
Interest free loan to an individual, due in three equal payments of \$9,000 on January 1 and July 2013 and January 1, 2014 with a final payment of \$4,952 due on July 1, 2014.	31,952
	<u>\$ 281,952</u>

Maturities on notes payable are as follows:

Years Ending December 31,

2013	\$ 218,000
2014	63,952
	<u>\$ 281,952</u>

**NOTE J - LAND**

Land consists of the following at December 31, 2012:

162.37 Acres Jackson County - Blackburn Fork	\$ 430,000
18.90 Acres Tipton County - Randolph Bluff	280,432
58.26 Acres Fentress County - White Oak Creek	265,000
300 Acres Chester County - State Route 200	174,972
25.37 Acres Fentress County - Black House Mountain	172,742
31.53 Acres Putnam County - Mill Creek Tract	99,678
25 Acres White County - Burgess Falls	53,714
19.34 Acres Davidson County - Hill's Island	40,000
18.25 Acres Cheatham County - Eagle Pass Trail	36,500
32.00 Acres Cumberland County - Braun	32,000
	<u>\$ 1,585,038</u>

**NOTE K - LOSS ON SALE OF ASSETS**

Loss on sale of assets consists of the following at December 31, 2012:

Cummins Falls	\$ (155,403)
Scrapped assets	(275)
	<u>\$ (155,678)</u>

# TENNESSEE PARKS AND GREENWAYS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2012

### **NOTE L - FAIR VALUE MEASUREMENTS**

Equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statement of activities. Investments in stocks and bonds, which are listed on national securities exchanges, quoted on NASDAQ or on the over-the-counter market are valued at the last reported sales price, or in the absence of a recorded sale, at the value between the most recent bid and asked prices. Investments without readily determinable fair values are carried at estimated fair value. Gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulations.

The Organization shows a hierarchal disclosure framework which prioritizes and ranks the level of market prices observability used in measuring fair value.

This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level I - Quoted market prices are available in active market for identical assets or liabilities as of the reporting date.

Level II - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level II input could result in the Level II measurement becoming a Level III measurement.

Level III - Pricing inputs are unobservable and shall be used to measure fair value to the extent that observable inputs are not available. The inputs into the determination of fair value are based upon the best information available and require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

#### Stock

The following is the fair value measurement of stock measured on a recurring basis at December 31, 2012 :

<u>December 31, 2012</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level I)</u>
Stock	<u>\$ 7,437</u>	<u>\$ 7,437</u>

# TENNESSEE PARKS AND GREENWAYS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2012

### **NOTE L - FAIR VALUE MEASUREMENTS (continued)**

Investments have been allocated to the net asset classification for presentation in the statements of financial position. Investments consist of the following as of December 31, 2012:

	Fair Value
Unrestricted	\$ 7,437
Temporarily Restricted	-
Permanently Restricted	-
	<u>\$ 7,437</u>

#### Beneficial Interest in a Trust

The Organization is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the Organization. The Organization has legally enforceable rights and claims to such assets, including the sole right to income therefrom. Net realized and unrealized gains (losses) related to the beneficial interests are reported as changes in unrestricted net assets.

Fair values of assets measured on a recurring basis at December 31, 2012 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level I)
<u>December 31, 2012</u>		
Community Foundation of Greater Memphis	\$ 30,145	\$ 30,145
Community Foundation of Middle Tennessee	<u>18,213</u>	<u>18,213</u>
	<u>\$ 48,358</u>	<u>\$ 48,358</u>

Investment income is composed of the following:

Realized and unrealized gains on marketable securities	\$ 1,610
Dividends and interest income	<u>6,394</u>
	<u>\$ 8,004</u>

### **NOTE M - ENDOWMENT**

The Organization's endowment consists of one individual fund, one donor-restricted fund and no funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowments funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based upon the existence or absence of donor imposed restrictions.



**TENNESSEE PARKS AND GREENWAYS FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**DECEMBER 31, 2012**

**NOTE M - ENDOWMENT (continued)**

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Tennessee, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The net accumulated appreciation of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence described in UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources available to the Organization
- (7) The investment policies of the Organization

The Organization's endowments by net asset class at December 31, 2012, in total and by type of endowment fund, showing donor-restricted endowment funds separately from board designated endowment funds are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted general endowment funds	\$ -	\$ 768	\$ 20,041	\$ 20,809
Board designated general endowment funds	-	-	-	-
Total funds	<u>\$ -</u>	<u>\$ 768</u>	<u>\$ 20,041</u>	<u>\$ 20,809</u>



# TENNESSEE PARKS AND GREENWAYS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2012

### **NOTE M - ENDOWMENT (continued)**

Changes in endowment assets for the year ended December 31, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, December 31, 2011	\$ -	\$ 400	\$ 20,041	\$ 20,441
Net asset reclassification	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets after reclassification	-	400	20,041	20,441
Investment income (loss) (during year)	-	409	-	409
Net appreciation (depreciation) (realized and unrealized)	-	-	-	-
Contributions during the year	-	-	-	-
Appropriation of endowment assets for expenditure	-	(41)	-	(41)
Transfers to remove board-designated endowment funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment assets, December 31, 2012	<u>\$ -</u>	<u>\$ 768</u>	<u>\$ 20,041</u>	<u>\$ 20,809</u>

#### Permanently Restricted Net Assets

	<u>2012</u>
(1) The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	<u>\$ 20,041</u>
Total endowment funds classified as permanently restricted net assets	<u>\$ 20,041</u>

#### Temporarily Restricted Net Assets

(1) Term endowment funds	\$ -
(2) The portion of perpetual endowment funds subject to a time restriction:	
Without purpose restrictions	-
With purpose restrictions	<u>768</u>
Total endowment funds classified as temporarily restricted net assets	<u>\$ 768</u>

#### Endowment and Other Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies at December 31, 2012.

# **TENNESSEE PARKS AND GREENWAYS FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS (continued)**

**DECEMBER 31, 2012**

### **NOTE M - ENDOWMENT (continued)**

#### **Endowment - Return Objectives and Risk Parameters**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the corpus of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that maintain the corpus of the endowment. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 2 percent annually. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through current yield (interest). The Organization targets cash-based investments to achieve its long-term corpus protection objectives.

#### **Endowment Spending Policy - Conservation Endowment**

The Organization has a policy of appropriating for annual distribution a maximum of 1.5 percent of its general endowment fund's average fair value over the preceding 12 quarters. Accordingly, over the long-term, the Organization expects the current spending policy to allow its general endowment to grow at least 1% annually. In establishing this policy, the Organization considered the long-term expected return on its general endowment. This is consistent with the Organization's objective to maintain the purchasing power of the general endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Under the Organization's spending policy on the general endowment, the Board approved \$41 to be applied to the operating budget for 2012.

### **NOTE N - SOLAR CONTRACT**

In 2010, the Organization entered into a lease and license agreement with Good Earth Energy, LLC (Good Earth) to lease space on a roof of a building owned by the Organization for one dollar a year for 12 years. Good Earth installed and will maintain a solar array on the roof of the building in order to benefit the environment, increase public awareness of the benefits of solar power, and distribute the power for eventual use by customers of the Tennessee Valley Authority (TVA). Under terms of the license agreement the Organization entered into an agreement with the TVA to sell the energy to TVA. During the term of the lease the Organization must pay Good Earth the gross proceeds related to the energy produced by the solar array equipment. During 2012 the solar array generated \$3,667 in electricity which was paid to Good Earth Energy. At the conclusion of the agreement Good Earth will convey title to the solar array equipment to the current property owner.

**TENNESSEE PARKS AND GREENWAYS FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**DECEMBER 31, 2012**

**NOTE O - PRIOR PERIOD ADJUSTMENTS**

An error resulting in an overstatement of previously reported pledge receivable was discovered during the current year. Accordingly, an adjustment of \$100,869 was made during to decrease temporarily restricted net assets as of the beginning of the year.

**NOTE P - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 24, 2013, which is the date the financial statements were available to be issued. On May 24, 2013, the Organization purchased 8.02 acres of land in Van Buren County "Cane Creek" for approximately \$63,018 and sold 162.37 acres of land in Jackson County "Blackburn Fork" for \$197,500.

**SUPPLEMENTAL INFORMATION**

**TENNESSEE PARKS AND GREENWAYS FOUNDATION**

**SCHEDULE OF FUNCTIONAL EXPENSES**

**Year Ended December 31, 2012**

	<u>Program Services</u>	<u>Management and General</u>
Accounting fee	\$ -	\$ 7,100
Annual report / newsletter	5,805	645
Auto	-	152
Bank fees	-	69
Board meeting expense	-	1,137
Branton expenses	2,059	-
Chester County	2,481	-
Commissions and fees	-	335
Computer expenses	1,279	191
Conferences and workshops	1,450	-
Copies and faxes	1,740	260
Cummins Fall acquisition	16,423	-
Depreciation	3,441	1,475
Emergency Land Bank	100	-
Events	-	5,189
Forever Green	20	-
Fundraising	-	11,274
House maintenance	10	10
Insurance	2,193	5,116
Insurance: health	28,765	5,076
Insurance: property	135	7
Land protection	46,655	-
Licenses and fees	-	5,789
Mailing lists	5,003	748
Memberships	3,617	-
Mississippi River	9,209	-
Moving expenses	-	4,303
Office supplies	7,719	1,153
Payroll taxes	15,115	6,478
Postage and shipping	4,467	235
Printing	7,057	1,055
Rent	2,436	364
Retirement contribution	8,086	1,427
Solar array expense	3,667	-
SPC	154	-
SPC Grants	5,650	-
Staffing	262,528	46,328

**TENNESSEE PARKS AND GREENWAYS FOUNDATION**

**SCHEDULE OF FUNCTIONAL EXPENSES (continued)**

**Year Ended December 31, 2012**

	<u>Program Services</u>	<u>Management and General</u>
Telephone	6,008	316
Telephone: internet	868	46
Temporary staffing	1,259	66
Travel	7,320	385
Unemployment premium	2,562	452
Utilities	2,223	117
Virgin Falls	<u>33,670</u>	<u>-</u>
Total Functional Expenses	<u>\$ 501,174</u>	<u>\$ 107,298</u>