

THE LAND TRUST FOR TENNESSEE, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS

AND

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

MARCH 31, 2005

THE LAND TRUST FOR TENNESSEE, INC.  
NASHVILLE, TENNESSEE  
FINANCIAL STATEMENTS  
AND  
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
MARCH 31, 2005

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
The Land Trust for Tennessee, Inc.  
Nashville, Tennessee

We have audited the accompanying statement of financial position of The Land Trust for Tennessee, Inc. as of March 31, 2005, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of The Land Trust for Tennessee Inc.'s management. 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Land Trust for Tennessee, Inc. as of March 31, 2005, 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.

*KraftCPAs PLLC*

Nashville, Tennessee  
June 23, 2005

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2005

ASSETS

Cash	\$ 585,532
Contributions receivable - Note 3	234,559
Prepaid expenses and other	6,068
Furniture and equipment, net - Note 4	19,243
Protected land - Note 9	<u>2,014,471</u>
 TOTAL ASSETS	 \$ <u>2,859,873</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 3,349
Accrued expenses	<u>4,977</u>
 TOTAL LIABILITIES	 <u>8,326</u>

COMMITMENTS AND CONTINGENCIES - Note 6

NET ASSETS

Unrestricted:

Designated for protected land	2,014,471
Undesignated	<u>269,031</u>

Total unrestricted	2,283,502
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Temporarily restricted - Note 10	<u>568,045</u>
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TOTAL NET ASSETS	<u>2,851,547</u>
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TOTAL LIABILITIES AND NET ASSETS	\$ <u>2,859,873</u>
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The accompanying notes are an integral part of the financial statements.

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT			
Contributions	\$ 117,891	\$ 543,196	\$ 661,087
Donated services	98,550	-	98,550
Special events	140,147	-	140,147
Less: direct benefits to donors	(62,262)	-	(62,262)
Investment income	5,166	-	5,166
Net assets released from restrictions	<u>311,191</u>	<u>(311,191)</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>610,683</u>	<u>232,005</u>	<u>842,688</u>
EXPENSES			
Program services	439,062	-	439,062
Supporting services:			
Administration	97,506	-	97,506
Fundraising	<u>62,255</u>	<u>-</u>	<u>62,255</u>
TOTAL EXPENSES	<u>598,823</u>	<u>-</u>	<u>598,823</u>
CHANGE IN NET ASSETS	11,860	232,005	243,865
NET ASSETS - BEGINNING OF YEAR, as restated - Note 11	<u>2,271,642</u>	<u>336,040</u>	<u>2,607,682</u>
NET ASSETS - END OF YEAR	<u>\$ 2,283,502</u>	<u>\$ 568,045</u>	<u>\$ 2,851,547</u>

The accompanying notes are an integral part of the financial statements.

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2005

OPERATING ACTIVITIES	
Change in net assets	<u>\$ 243,865</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	6,470
(Increase) decrease in:	
Contributions receivable	(112,722)
Prepaid expenses	(5,488)
Increase (decrease) in:	
Accounts payable and accrued expenses	<u>(7,849)</u>
TOTAL ADJUSTMENTS	<u>(119,589)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	124,276
NET CASH USED IN INVESTING ACTIVITIES	
Purchase of furniture and equipment	<u>(10,026)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	114,250
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>471,282</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 585,532</u>

The accompanying notes are an integral part of the financial statements.

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED MARCH 31, 2005

	Program Services	Supporting Services			Total
		Administration	Fundraising	Total	
Salaries and related fringe benefits	\$ 232,069	\$ 59,205	\$ 41,710	\$ 100,915	\$ 332,984
Computer expense	2,143	5,111	-	5,111	7,254
Depreciation	4,458	1,029	983	2,012	6,470
Dues and subscriptions	545	1,656	79	1,735	2,280
Easement preparation	8,212	97	-	97	8,309
Education	19,601	5,692	636	6,328	25,929
General and administrative	5,393	7,916	724	8,640	14,033
Insurance	3,725	860	821	1,681	5,406
Meals and entertainment	-	-	62,262	62,262	62,262
Printing, postage and publication	9,164	1,075	416	1,491	10,655
Professional services:					
Donated	98,550	-	-	-	98,550
Other	24,000	7,925	-	7,925	31,925
Promotion	1,488	714	907	1,621	3,109
Publicity and printing for events	-	-	10,279	10,279	10,279
Rent	22,968	5,366	4,599	9,965	32,933
Taxes, licenses and fees	1,188	163	435	598	1,786
Telephone	5,558	697	666	1,363	6,921
 TOTAL EXPENSES	 439,062	 97,506	 124,517	 222,023	 661,085
 Less expenses included with revenues on the statement of activities - direct benefit to donors	 -  -	 -  -	 (62,262)  (62,262)	 (62,262)  (62,262)	 (62,262)  (62,262)
 TOTAL EXPENSES INCLUDED IN THE EXPENSES SECTION OF THE STATEMENT OF ACTIVITIES	 \$ 439,062	 \$ 97,506	 \$ 62,255	 \$ 159,761	 \$ 598,823

The accompanying notes are an integral part of the financial statements.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

NOTE 1 - GENERAL

Nature of Business

The Land Trust for Tennessee, Inc. (the "Organization") is a Tennessee not-for-profit organization, incorporated on January 15, 1999, whose purpose is to promote and aid in the preservation of Tennessee's natural landscapes and to protect land with recreational, scenic, ecological, and historical significance for future generations. The goal to preserve Tennessee's land will primarily be accomplished through 1) the acquisition, through donation or purchase, of land or conservation easements on land and 2) public education concerning Tennessee's natural and historic resources and landowners' options for preserving this land. The funds to perform these activities are derived from contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements present the Organization's financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

Contributions and Support

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

Contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions.

The Organization had no permanently restricted net assets at March 31, 2005.



THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed at a risk-free interest rate applicable to the year in which the promise is received (4.16% in 2005). Conditional promises to give are not included as support until such time as the conditions are substantially met.

An allowance for uncollectible amounts has not been provided on contributions receivable since, in management's opinion, the receivable amounts are fully collectible, based on past history.

Property and Equipment

Property and equipment are stated at acquisition cost, or at estimated fair value at the time of the gift, if donated. Depreciation of these assets is calculated by the straight-line method to allocate the cost of depreciable assets, as so determined, to operations over the estimated useful lives of the assets (three to seven years for equipment and furniture and fixtures).

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

In-kind contributions

Donated facilities, goods and materials are recognized as contributions in the period received at fair value, if there is an objective and measurable basis for determining such value.

Donated services are recognized as contributions if those services create or enhance nonfinancial assets or the donated service requires specialized skills, was provided by an individual who possesses such skills and would have been purchased by the Organization if not donated. Such services are recognized at fair value as support and expenses in the period the services are performed. The accompanying statements of activities include contributed services of \$98,550 for bookkeeping, audit, legal, engineering, architectural and various other services for the year ended March 31, 2005.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-kind contributions (Continued)

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization; however, no values for such in-kind contributions have been included in the financial statements since there is no objective basis by which to measure the values.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program services - consists of programs to promote and aid in the preservation of Tennessee's natural landscapes and to protect land with recreational, scenic, ecological and historical significance for future generations.

Management and general - includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Includes costs associated with providing coordination and articulation of the Organization's program strategy, business management, general record keeping, budgeting, and related purposes.

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distributions of fundraising materials.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses and allocation of functional expenses during the reported period. Actual results could differ from those amounts.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

NOTE 3 - CONTRIBUTIONS AND CONTRIBUTIONS RECEIVABLE

At March 31, 2005, two contributions receivable from unrelated parties comprised 33% of total receivables. In addition, pledges totaling \$45,970 are due from members of the Organization's board of directors.

Contributions receivable consisted of the following as of March 31, 2005:

Due in less than one year	\$ 99,536
Due in one to five years	<u>146,000</u>
	245,536
Less: Discount to present value	<u>(10,977)</u>
Subtotal	234,559
Less: Allowance for uncollectible amounts	<u>-</u>
	<u>\$ 234,559</u>

NOTE 4 - FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following as of March 31, 2005:

Furniture and fixtures	\$ 473
Equipment	<u>36,422</u>
	36,895
Less: accumulated depreciation	<u>(17,652)</u>
Net property and equipment	<u>\$ 19,243</u>

NOTE 5 - DONOR-DESIGNATED ENDOWMENT FUNDS IN TRUST

A donor-designated endowment fund has been established with the Community Foundation of Middle Tennessee for the benefit of the Organization. The Community Foundation of Middle Tennessee has the ultimate authority and control over the fund and, therefore, these assets are not included in the financial statements of the Organization. Income distributed to the Organization is recognized by the Organization in the year received. There were no such distributions in 2005. Total assets held in this fund approximated \$11,000 at March 31, 2005.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

NOTE 6 - LEASE OBLIGATIONS

The Organization leases its office facilities under a noncancelable operating lease. The lease expires June 30, 2009. Additionally, the Organization has an operating lease for a satellite office that requires monthly payments of \$300 through September 30, 2006. Total rent expense paid during the year was \$32,932.

Future minimum lease payments required under all noncancelable operating leases that have remaining terms in excess of one year as of March 31, 2005, are as follows:

Year ending March 31,

2006	\$ 30,575
2007	30,075
2008	29,575
2009	30,875
2010	<u>7,800</u>
	<u>\$ 128,900</u>

NOTE 7 - PENSION PLAN

The Organization's employees are covered under a defined contribution employee benefit plan. At the discretion of the Board, payments are made by the Organization on behalf of all eligible employees based on their compensation. Total pension plan expense of the Organization amounted to \$6,027 in 2005. Employees are eligible to participate in the plan after one year of service and are eligible for the Employer discretionary match after two years of service.

NOTE 8 - CONCENTRATION OF CREDIT RISK

The Organization's primary fundraiser, Once in a Blue Moon, generated revenues, which are recognized as unrestricted contributions, in the amount of \$137,025 during the year ended March 31, 2005. No other individual contributions were greater than 10% of total contributions.

The Organization maintains cash in bank deposits at various financial institutions which, at times, may exceed federally insured limits. In management's opinion, the risk is mitigated by the use of high quality financial institutions.

NOTE 9 - PROTECTED LAND

Protected land consists of a tract of land in Tennessee that was purchased by the Organization in a prior year with funds that were donated for that purpose. The land is being held by the Organization for the use of future generations, in accordance with its mission.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2005

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of March 31, 2005:

Future years operations	\$ 234,559
Stewardship funds for monitoring and enforcement of protected properties	168,957
Land protection activities in the South Cumberland Plateau and Sequatchie Valley regions	80,526
Land conservation program in north Davidson county, Robertson county, and Sumner county	34,105
Natural resources and historic preservation survey for the Duck River Highland project in southwest Williamson county, northwest Maury county, and eastern Hickman county	19,400
Educational and other land protection programs	<u>30,498</u>
	<u>\$ 568,045</u>

NOTE 11 - PRIOR PERIOD ADJUSTMENT

A prior period adjustment has been made to the Organization's net assets as of April 1, 2004, to properly classify temporarily restricted net assets at that date for the purpose of maintenance of land easements and for future operations. A schedule summarizing the prior period adjustment follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net assets as of April 1, 2004, as previously reported	\$ 2,517,074	\$ 90,608	\$ 2,607,682
Prior period adjustment:			
To properly classify temporarily restricted net assets	<u>(245,432)</u>	<u>245,432</u>	<u>-</u>
Net assets as of April 1, 2004, as restated	<u>\$ 2,271,642</u>	<u>\$ 336,040</u>	<u>\$ 2,607,682</u>