

THE LAND TRUST FOR TENNESSEE, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

MARCH 31, 2013 AND 2012

THE LAND TRUST FOR TENNESSEE, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

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TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT.....	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Cash Flows	5
Statements of Functional Expenses	6
Notes to Financial Statements.....	7 - 21

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Land Trust for Tennessee, Inc.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of The Land Trust for Tennessee, Inc. which comprise the statements of financial position as of March 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 The Land Trust for Tennessee, Inc. as of March 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Krapf CPAs PLLC

Nashville, Tennessee
September 27, 2013

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Cash and cash equivalents:		
Operating funds without restriction or designation	\$ 305,968	\$ 194,571
Operating funds with donor restrictions	2,981,135	2,813,372
Operating funds with board designations	3,438,151	3,286,197
Contributions receivable:		
Operating	91,538	195,132
Land acquisitions	97,082	190,443
Stewardship	136,240	107,340
Capital campaign	86,950	152,082
Accounts receivable	153,371	60,058
Bequest receivable	-	7,302
Prepaid expenses and other	25,378	15,231
Financially facilitated land projects	4,066,428	-
Furniture and equipment, net	37,790	59,491
Real estate:		
Glen Leven estate property	3,951,773	3,700,000
Protected land	4,629,988	4,629,988
Property bequest receivable	210,000	210,000
Land held for sale	-	476,000
Funds held on behalf of others	<u>4,420</u>	<u>1,520</u>
TOTAL ASSETS	<u>\$ 20,216,212</u>	<u>\$ 16,098,727</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 166,760	\$ 38,746
Accrued expenses	2,683	26,029
Funds held on behalf of others	4,420	1,520
Notes payable	<u>3,868,900</u>	<u>-</u>
TOTAL LIABILITIES	<u>4,042,763</u>	<u>66,295</u>
<u>NET ASSETS</u>		
Unrestricted:		
Designated for protected land	4,629,988	4,629,988
Board designations	3,438,151	3,286,197
Undesignated	<u>894,677</u>	<u>747,878</u>
Total unrestricted	8,962,816	8,664,063
Temporarily restricted	<u>7,210,633</u>	<u>7,368,369</u>
TOTAL NET ASSETS	<u>16,173,449</u>	<u>16,032,432</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,216,212</u>	<u>\$ 16,098,727</u>

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

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED MARCH 31, 2013 AND 2012

	2013		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT			
Contributions, public support and other:			
Individuals, foundations and other	\$ 562,310	\$ 964,043	\$ 1,526,353
Easement and land acquisition assistance	-	335,076	335,076
Transaction assistance	119,707	4,000	123,707
Grants for easement transaction assistance	-	-	-
Stewardship contributions	-	169,886	169,886
Donated goods and services	80,841	-	80,841
Donated land	-	-	-
Special events	283,915	-	283,915
Less: direct benefits to donors	(94,716)	-	(94,716)
Gain on sale of land	14,000	-	14,000
Interest income	16,171	11,364	27,535
Net assets released from restrictions	<u>1,642,105</u>	<u>(1,642,105)</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>2,624,333</u>	<u>(157,736)</u>	<u>2,466,597</u>
EXPENSES			
Program services	1,879,684	-	1,879,684
Supporting services:			
Administration	64,705	-	64,705
Fundraising	<u>381,191</u>	<u>-</u>	<u>381,191</u>
TOTAL EXPENSES	<u>2,325,580</u>	<u>-</u>	<u>2,325,580</u>
CHANGE IN NET ASSETS	298,753	(157,736)	141,017
NET ASSETS - BEGINNING OF YEAR	<u>8,664,063</u>	<u>7,368,369</u>	<u>16,032,432</u>
NET ASSETS - END OF YEAR	<u>\$ 8,962,816</u>	<u>\$ 7,210,633</u>	<u>\$ 16,173,449</u>

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

2012		
Unrestricted	Temporarily Restricted	Total
\$ 418,694	\$ 1,300,379	\$ 1,719,073
-	4,119,134	4,119,134
-	28,600	28,600
-	2,912	2,912
-	219,637	219,637
88,205	-	88,205
165,000	-	165,000
256,137	-	256,137
(105,101)	-	(105,101)
-	-	-
10,779	2,976	13,755
<u>4,138,258</u>	<u>(4,138,258)</u>	<u>-</u>
<u>4,971,972</u>	<u>1,535,380</u>	<u>6,507,352</u>
2,047,949	-	2,047,949
65,075	-	65,075
<u>273,705</u>	<u>-</u>	<u>273,705</u>
<u>2,386,729</u>	<u>-</u>	<u>2,386,729</u>
2,585,243	1,535,380	4,120,623
<u>6,078,820</u>	<u>5,832,989</u>	<u>11,911,809</u>
<u>\$ 8,664,063</u>	<u>\$ 7,368,369</u>	<u>\$ 16,032,432</u>

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 141,017	\$ 4,120,623
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	21,701	19,346
Impairment of real estate held for sale	-	92,500
Gain on sale of land	(14,000)	-
Donated land	-	(165,000)
Restricted contributions for long-term purposes	(432,248)	(468,260)
(Increase) decrease in:		
Contributions receivable	168,055	(317,816)
Accounts receivable	(93,313)	(12,316)
Prepaid expenses and other	(10,147)	(3,113)
Bequest receivable	7,302	1,942,698
Increase in:		
Accounts payable and accrued expenses	53,141	15,968
TOTAL ADJUSTMENTS	(299,509)	1,104,007
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(158,492)	5,224,630
INVESTING ACTIVITIES		
Purchase of furniture and equipment	-	(45,860)
Payment for Glen Leven renovations	(200,246)	-
Purchase of protected land	-	(2,616,517)
Payments for financially facilitated land projects	(273,728)	-
Proceeds from transfer of financially facilitated land project	76,200	-
Proceeds from sale of land	490,000	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	92,226	(2,662,377)
FINANCING ACTIVITIES		
Collections of contributions for long-term purposes	497,380	311,178
NET INCREASE IN CASH AND CASH EQUIVALENTS	431,114	2,873,431
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	6,294,140	3,420,709
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,725,254	\$ 6,294,140
Non-cash investing activity:		
Glen Leven renovations in accounts payable	\$ 51,527	\$ -
Financially facilitated land projects obtained with notes payable	\$ 3,868,900	\$ -
Interest expense paid	\$ -	\$ -

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

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED MARCH 31, 2013 AND 2012

	2013				
	Program Services	Supporting Services			Total
		Administration	Fundraising	Total	
Salaries and related benefits	\$ 781,315	\$ 34,425	\$ 144,098	\$ 178,523	\$ 959,838
Contract labor	-	-	92,290	92,290	92,290
Computer expense	29,196	1,862	3,240	5,102	34,298
Depreciation	14,993	2,448	4,260	6,708	21,701
Development/fundraising	-	-	20,527	20,527	20,527
Dues and subscriptions	2,758	425	740	1,165	3,923
Easement and land acquisition assistance	473,345	-	-	-	473,345
Easement preparation	13,123	-	-	-	13,123
Education and outreach	31,547	-	-	-	31,547
Events:					
Related costs	-	-	140,767	140,767	140,767
Donated goods and services	-	-	23,571	23,571	23,571
Glen Leven estate property operating costs:					
Donated	11,854	-	-	-	11,854
Other	33,216	-	-	-	33,216
Office expenses	22,587	2,653	4,639	7,292	29,879
Impairment of real estate held for sale	-	-	-	-	-
Insurance	21,454	1,570	2,732	4,302	25,756
Interest	29,641	-	-	-	29,641
Occupancy	54,607	9,057	15,761	24,818	79,425
Printing and publication	47,781	-	-	-	47,781
Professional services:					
Donated	36,016	-	1,000	1,000	37,016
Other	51,951	9,846	18,072	27,918	79,869
Stewardship	14,077	-	-	-	14,077
Taxes, licenses and fees	1,814	139	242	381	2,195
Telephone and utilities	16,988	2,280	3,968	6,248	23,236
Transaction assistance	191,421	-	-	-	191,421
TOTAL EXPENSES	1,879,684	64,705	475,907	540,612	2,420,296
Less expenses included with revenues on the statement of activities - direct benefits to donors	-	-	(94,716)	(94,716)	(94,716)
TOTAL EXPENSES INCLUDED IN EXPENSES SECTION OF STATEMENT OF ACTIVITIES	\$ 1,879,684	\$ 64,705	\$ 381,191	\$ 445,896	\$ 2,325,580

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

2012

Program Services	Supporting Services			Total
	Administration	Fundraising		
\$ 850,478	\$ 44,254	\$ 138,124	\$ 182,378	\$ 1,032,856
-	-	-	-	-
17,065	1,382	4,459	5,841	22,906
13,504	2,112	3,730	5,842	19,346
-	-	22,153	22,153	22,153
2,625	341	706	1,047	3,672
588,096	-	-	-	588,096
12,990	-	-	-	12,990
20,893	491	1,591	2,082	22,975
-	-	151,291	151,291	151,291
-	-	26,343	26,343	26,343
15,610	-	-	-	15,610
60,701	-	-	-	60,701
17,232	1,669	3,285	4,954	22,186
92,500	-	-	-	92,500
9,822	1,398	2,470	3,868	13,690
-	-	-	-	-
75,129	7,101	12,698	19,799	94,928
2,000	-	-	-	2,000
37,852	-	-	-	37,852
94,310	4,520	7,984	12,504	106,814
8,068	-	-	-	8,068
1,564	197	347	544	2,108
18,476	1,610	3,625	5,235	23,711
109,034	-	-	-	109,034
2,047,949	65,075	378,806	443,881	2,491,830
-	-	(105,101)	(105,101)	(105,101)
\$ 2,047,949	\$ 65,075	\$ 273,705	\$ 338,780	\$ 2,386,729

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2013 AND 2012

NOTE 1 - GENERAL

The Land Trust for Tennessee, Inc. (the "Organization") is a Tennessee not-for-profit organization, incorporated on January 15, 1999, whose mission is to preserve the unique character of Tennessee's natural and historic landscapes and sites for future generations.

The Organization works with partners at the federal, state and local level to assist landowners, citizen groups and other interested parties to preserve forever the scenic and natural values of land throughout the state. Lands protected include private land, public parks and open spaces. The main tool for ensuring this preservation is a conservation easement. As of March 31, 2013, the Organization has completed conservation transactions protecting 88,135 acres throughout Tennessee.

A conservation easement is a voluntary contract between a landowner and the Organization in which the owner places permanent restrictions on the future uses of some or all of the property to protect scenic, wildlife or agricultural resources. The restrictions usually limit the number of future home sites and can limit other uses as well. The landowner retains ownership of the land, has the right to use it, sell it or leave it to heirs, and is responsible for its ongoing maintenance. The restrictions of the easement remain with the land forever. The Organization holds the conservation easement and accepts responsibility for monitoring compliance with the terms of the easement and for defending the easement should the terms be threatened or violated. The Organization refers to its ongoing responsibility as stewardship and enforcement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements present the financial position and changes in net assets of the Organization on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Resources are classified as unrestricted, temporarily restricted or permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.
- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.
- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. The Organization had no permanently restricted net assets as of March 31, 2013 and 2012.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits with financial institutions, bank certificates of deposit and money market funds that can be liquidated without significant penalty or restriction (including accrued interest).

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 restricted by the donor for future periods or 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.

Grant revenue related to transaction assistance is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant. Grant revenue related to stewardship is considered a contribution and is recognized when the funds are received.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

Unconditional promises and bequests 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. In 2013 and 2012, management considered this amount to be immaterial, and it was not recorded. 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.

Bequests

When a will is declared valid, the Organization recognizes the bequest receivable and revenue at the estimated realizable value of its interest in the estate.

Furniture and Equipment

Furniture and equipment are reported at cost at the date of purchase or at estimated fair value at the date of the gift to the Organization. The Organization's policy is to capitalize purchases with a cost of \$750 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets ranging from three to seven years for furniture, fixtures and equipment and computers and software.

Real Estate

Real estate is reported at cost at the date of purchase or at estimated fair value at the date of the gift to the Organization.

Board Designated Net Assets

The Board of Directors has established several Board designated funds: an Operating Reserve for use in emergencies to sustain financial operations, a Working Capital Fund to meet the ebbs and flows during the year, a Revolving Fund to assist with the acquisition of land over short periods of approximately 24-36 months, and the Ashby Fund to generate revenue and capital growth. In addition, the proceeds from the sales of donated land are split among the Board designated funds per policy that includes a portion for special projects. Within this structure, funds are invested, used, managed and transferred as set out in policies created by the Board of Directors and in accordance with internal procedures.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Board Designated Net Assets (Continued)

Board designated funds consisted of the following at March 31:

	<u>2013</u>	<u>2012</u>
Operating Reserve Fund	\$ 375,000	\$ 375,000
Working Capital Fund	300,000	300,000
Revolving Fund	406,834	534,357
Proceeds from sale of donated land reserved for special projects	118,921	-
Ashby Fund	<u>2,237,396</u>	<u>2,076,840</u>
	<u>\$ 3,438,151</u>	<u>\$ 3,286,197</u>

In-kind Contributions

Donated materials are recorded as gifts in the period received at estimated fair value, if there is an objective and measurable basis for determining such value.

Donated services are recognized if they create or enhance non-financial assets or the donated service requires specialized skills, were performed by a donor who possesses such skills, and would have been purchased by the Organization if not donated. Such services are recognized at estimated fair value as support and expense in the period the services are performed.

Program and Supporting Services

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

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

The Organization identifies land of strategic importance to the overall mission of the Organization. These projects offer unique land protection opportunities and are made up of some of Tennessee's most remarkable intact large landscapes, farmland, timber tracts, wildlife and flora habitats, historic landscapes, scenic viewsheds, pristine waterways and recreational opportunities. To support the Organization's strategic mission, restricted donations are received that allow the Organization to hold conservation easements, tracts in fee, obtain options and perform due diligence.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (Continued)

Administration - includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program or with fundraising. 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 distribution 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 in the Preparation of the Financial Statements

The preparation of financial statements in accordance with GAAP 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 reporting period. Actual results could differ from those amounts.

Income Taxes

The Organization qualifies as a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

The Organization files a U.S. federal Form 990 for organizations exempt from income tax. The Organization's returns for years prior to fiscal year 2010 are closed.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

Conservation Easements

Conservation easements held by the Organization are not recognized as assets in the accompanying financial statements. Assets are defined as probable future economic benefits obtained or controlled by an entity; the Organization does not believe that the easements meet the definition criteria. The cost of obtaining conservation easements is expensed when the easement is acquired.

Reclassifications

Certain reclassifications have been made in the 2012 financial statements to conform to the 2013 presentation. These reclassifications had no effect on the change in net assets previously reported.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between March 31, 2013 and September 27, 2013, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2013 AND 2012

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of March 31:

	<u>2013</u>	<u>2012</u>
Due in less than one year	\$ 353,005	\$ 486,529
Due in one to five years	52,785	150,718
Due in more than five years	<u>6,020</u>	<u>7,750</u>
	<u>\$ 411,810</u>	<u>\$ 644,997</u>

Contributions receivable are classified as follows as of March 31:

	<u>2013</u>	<u>2012</u>
Operating	\$ 91,538	\$ 195,132
Land acquisitions	97,082	190,443
Stewardship	136,240	107,340
Capital campaign	<u>86,950</u>	<u>152,082</u>
	<u>\$ 411,810</u>	<u>\$ 644,997</u>

NOTE 4 - BEQUESTS

In 2011, the Organization was the beneficiary of a testamentary bequest of a liquidated estate in the amount of \$3,150,000, which was recognized as a contribution in 2011. The Organization received distributions in 2011, 2012 and the final payment in 2013.

During 2008, pursuant to a testamentary bequest from an estate, the Organization was to receive 12 acres of unimproved land in Wilson County, Tennessee. The property title has not transferred to the Organization as of March 31, 2013 due to the continuance of the title clearing process. The Organization intends to obtain restrictions to ensure the appropriate conservation of this property. The property bequest receivable was recorded at \$210,000, the estimated fair value with the contemplated restrictions. Upon property transfer, management and the Board are prepared to evaluate the future use of this land and anticipate the property will be sold.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2013 AND 2012

NOTE 5 - FURNITURE AND EQUIPMENT

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

	<u>2013</u>	<u>2012</u>
Furniture, fixtures and equipment	\$ 105,261	\$ 105,261
Computers and software	<u>36,300</u>	<u>62,696</u>
	141,561	167,957
Less: accumulated depreciation	<u>(103,771)</u>	<u>(108,466)</u>
Furniture and equipment, net	<u>\$ 37,790</u>	<u>\$ 59,491</u>

NOTE 6 - PROPERTY BEQUEATHED FROM GLEN LEVEN ESTATE

During 2007, the Organization received a testamentary bequest consisting of approximately 60 acres of land and a historic house with 5 acres known as the Glen Leven estate. The appraised fair values were \$1,500,000 and \$2,200,000, respectively, at the date of the bequest. The decedent's will placed significant restrictions on the use of this property or the proceeds in the event of its sale.

Direct costs, including donated services, incurred by the Organization related to this property, which are reported in program services, are as follows for the years ended March 31:

	<u>2013</u>	<u>2012</u>
Insurance	\$ 11,020	\$ 11,242
Repairs	5,057	3,699
Security	300	767
Taxes	936	873
Grounds maintenance	12,587	22,414
Utilities and other	9,615	3,841
Professional fees	3,097	5,817
Outreach	2,458	13,859
Restoration	<u>-</u>	<u>13,799</u>
	<u>\$ 45,070</u>	<u>\$ 76,311</u>

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2013 AND 2012

NOTE 6 - PROPERTY BEQUEATHED FROM GLEN LEVEN ESTATE (CONTINUED)

During 2012, the Board of Directors approved a capital campaign in the amount of \$1 million to address the structural needs of the property. Donations totaling \$432,238 were recorded as restricted contributions during 2013 (\$468,260 in 2012) and \$86,950 was remaining in contributions receivable at March 31, 2013 (\$152,082 at March 31, 2012).

During 2013, renovations at Glen Leven began. Total costs incurred were \$251,773 which were capitalized and reported as additions to the property.

NOTE 7 - PROTECTED LAND

Protected land consists of tracts of land purchased by the Organization that are being held subject to significant deed restrictions consistent with the Organization's mission. The Moran Road tract was purchased by the Organization in a prior year for \$2,014,471, with funds that were donated for that purpose.

In 2012, the Organization received a contribution from a donor-advised fund that was restricted for the Organization's Easement and Acquisition Fund for Marshall and Giles counties. These funds were used to purchase a tract of land in Marshall County for \$2,615,517. This property was put on the market in June 2013. The Organization will work with the potential buyer on the conservation to protect this property prior to closing.

NOTE 8 - PROGRAM ACCOMPLISHMENTS

The Organization utilizes its revolving fund and donations from individuals, foundations and government sources to facilitate land purchases for and by third parties and to provide transaction assistance for donated conservation easements. Listed below is a summary of the impact of those various program services.

Financially Facilitated Land Projects

During 2013, the Organization acquired five properties amounting to over 1,100 acres at a total land cost of \$4,142,628. These properties added critical tracts to some of Tennessee's state parks including a 10 mile addition to the Cumberland Trail, an overlook at Burgess Falls State Park, a scenic view at New Johnsonville State Historic Park and an addition of 40 acres to Radnor Lake State Park. These projects were approved by the Tennessee State Building Commission as suitable land projects that the state would be willing to acquire from the Organization at the appraised value. As of March 31, 2013, four financially facilitated project properties were owned by the Organization.

Two properties were sold to the State of Tennessee in May 2013 and the other two properties were sold to the State of Tennessee in August 2013. The Organization records all costs related to the purchase of these land projects, including surveys, closing or other settlement costs as transaction assistance expenses. These costs are reimbursed to the Organization by the State of Tennessee at closing and are reported as transaction assistance contributions.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2013 AND 2012

NOTE 8 - PROGRAM ACCOMPLISHMENTS (CONTINUED)

Transactions Assistance

In cases where important land is at risk and resources are not available to complete the conservation transaction, the Organization may provide assistance from its transaction assistance funds, which are supported by restricted grant donations. The Organization may also participate as a partner in raising funds for land purchases. In 2013, the Organization expended approximately \$191,000 (\$109,000 in 2012) from this fund to assist with transaction costs incurred for conservation transactions (easements or other methods).

Easements and Land Acquisition Expenses

In 2013, the Organization expended approximately \$473,000 (\$588,000 in 2012) to assist landowners in obtaining easements and other land acquisition costs.

The Organization and the Tennessee Wildlife Resource Agency partnered to purchase 68 acres of critical wildlife habitat located along the Blythe Ferry Road near the confluence of the Hiwassee and Tennessee rivers. This property is now part of the Hiwassee Wildlife Refuge in Meigs county.

Additionally, the Organization helped to create three new public parks in Metropolitan Nashville ranging in size from 15 acres to 600 acres, collectively adding 750 acres of parkland to the system.

Stewardship and Enforcement of Easements

In accepting conservation easements, the Organization has agreed to undertake future monitoring and enforcement activities to ensure compliance with the terms and conditions of the 227 easements it currently holds.

The Board of Directors has established a spending policy that allows up to 3% of the value of the temporarily restricted stewardship and enforcement fund (as of the end of the prior fiscal year) to be spent annually to meet ongoing stewardship needs and obligations. With the approval of the Board of Directors, additional funds may be transferred to unrestricted net assets and used to meet extraordinary expenses associated with upholding or defending an easement or other interest in land held by the Organization.

During 2013, the Organization became a member of Terrafirma RRG, LLC that was formed by the Land Trust Alliance providing a liability insurance program to defend threatened conservation values of easements and conserved lands from legal challenges.

Sale of Donated Land

Three properties donated to the Organization were sold in 2013, subsequent to the Organization obtaining conservation easements to protect these properties.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2013 AND 2012

NOTE 8 - PROGRAM ACCOMPLISHMENTS (CONTINUED)

Farm and Ranch Lands Protection Program

The Organization participates in the Farm and Ranch Lands Protection Program (the "FRPP"), a federal program in which the United States Department of Agriculture (the "USDA") provides up to 50% of the fair value of an easement to the land owner if an entity other than the landowner can match at least 25% of the fair value. During the year ending March 31, 2013, the Organization raised no funds towards this program (\$34,742 in 2012). Those funds are reported under easement and land acquisition assistance revenue.

NOTE 9 - LAND HELD FOR SALE

In 2010, the Organization was informed that it was the beneficiary of a testamentary bequest of a 100 acre tract of land in Williamson County with an estimated fair value of \$402,500. The property was transferred to the Organization in 2011 and classified as land held for sale, until May 2012, when the Organization sold the property for \$310,000. The placement of a conservation easement on this property by the Organization in conjunction with its mission to protect this tract of land resulted in the devaluation of the land in the amount of \$92,500, which was recognized in 2012. In addition, during 2012, the Organization received a donation of 155 acres in Putnam County, Tennessee. This property was sold in during October 2012 for \$165,000, the estimated fair value assigned at the date of gift.

Proceeds from the sale of these two properties along with another 8 acres of donated land amounted \$490,000 in 2013. These properties were sold subject to conservations easements.

NOTE 10 - NOTES PAYABLE

In conjunction with the purchase of two financially facilitated land projects, the Organization obtained financing from The Conservation Fund ("TCF"). The Organization entered into the first note payable on December 28, 2012 in the amount of \$2,950,000, bearing interest at a rate of 3.90% and maturing on September 3, 2013. This loan was collateralized with cash funds up to \$500,000. The second note payable was dated March 27, 2013 in the amount of \$918,900 bearing interest at a rate of 3.25% and maturing on December 27, 2013. Total interest expense for the year ended March 31, 2013 was \$29,641 (\$0 in 2012).

These loans were repaid at the closing of the sale of these land projects to the State of Tennessee in May and August 2013. The sale proceeds were sufficient to repay the note balance, accrued interest and related closing or settlement expenses.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2013 AND 2012

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2013</u>	<u>2012</u>
Contributions receivable for future years' operations	\$ 91,538	\$ 195,132
Stewardship funds for monitoring and enforcement of protected properties	1,371,238	1,222,397
Land protection activities in the South Cumberland Plateau and Sequatchie Valley regions	39,556	31,329
Land conservation programs in North Davidson county, Robertson county, Sumner county and Northeast Tennessee	33,762	148,614
Land conservation programs in Giles and Williamson Counties	90,582	104,739
Glen Leven estate property	3,700,000	3,700,000
Glen Leven estate stabilization, maintenance and capital campaign	497,627	377,238
Monitoring of the conservation easement for Shelby Farms	36,406	40,539
Wilson County unimproved land	210,000	210,000
Middle Tennessee wildlife conservation	34,860	27,642
Capacity building funds	157,923	39,535
Ft. Campbell ACUB program	34,251	60,041
Revolving funds for temporary needs of land acquisition	14,934	33,184
Transaction assistance funds for landowners	136,683	92,700
Easement and land acquisition funds	<u>761,273</u>	<u>1,085,279</u>
	<u>\$ 7,210,633</u>	<u>\$ 7,368,369</u>

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2013 AND 2012

NOTE 12 - LEASES

During 2011, the Organization renegotiated its office facilities lease under a noncancelable operating lease through October 31, 2014. Monthly payments required under this lease range from \$3,553 to \$5,586. Rent expense on this lease is recognized on a straight-line basis. The excess rent expense recognized over the amount paid is included in accrued expenses. Additionally, the Organization leases one satellite office (two satellite offices in 2012) on an annual basis. The lease was renewed in April 2013 and expires April 2014. The satellite office is leased at \$555 a month in 2013 and 2012.

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

Year ending March 31,

2014	\$ 66,513
2015	<u>39,103</u>
	<u>\$ 105,616</u>

Rent expense totaled \$73,388 in 2013 (\$90,007 in 2012).

NOTE 13 - PENSION PLAN

The Organization sponsors a defined contribution employee benefit plan for eligible employees. At the discretion of the Board, the Organization contributes to the plan on behalf of all eligible employees based on their compensation. All employees are eligible to participate in the plan upon employment and to receive the employer discretionary match after two years of service. Total pension plan expense of the Organization amounted to \$19,081 in 2013 (\$17,706 in 2012).

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2013 AND 2012

NOTE 14 - DONATED GOODS AND SERVICES

The accompanying Statements of Activities include contributed services for legal, occupancy and various other services. Donated goods include food and beverages used at fundraising events and certain equipment.

Total estimated fair value of goods and services donated to the Organization for the years ended March 31, is as follows:

	<u>2013</u>	<u>2012</u>
Events:		
Goods	\$ 13,228	\$ 15,936
Printing and publicity	10,343	10,407
Professional services:		
Consulting and other	-	1,908
Designers and photographers	1,000	2,194
Legal	28,425	33,750
Transaction assistance services	3,591	-
Investment services	4,000	-
Glen Leven - grounds maintenance and other	11,854	15,610
Occupancy	<u>8,400</u>	<u>8,400</u>
	<u>\$ 80,841</u>	<u>\$ 88,205</u>

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.

NOTE 15 - DONOR-DESIGNATED ENDOWMENT FUNDS IN TRUST

Two donor-designated endowment funds have been established (the second fund in March 2013) 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 2013 or 2012. Total assets held in this fund approximated \$115,000 at March 31, 2013 (\$13,500 at March 31, 2012).

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2013 AND 2012

NOTE 16 - CONCENTRATION OF CREDIT RISK

The Organization maintains deposit accounts at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. As of March 31, 2013, deposits at these institutions exceeded the statutory limits by approximately \$3,337,000.

For the year ended March 31, 2013, there were no contributions with concentrations of 10% or greater of total contributions, public support and other revenues. For the year ended March 31, 2012, contributions from two sources amounted to \$2,800,000 or 44% of total contributions, public support and other revenues.

At March 31, 2013, there were no contributions from a source that were 10% or greater of total contributions receivable. For the year ended March 31, 2012, contributions receivable from two sources comprised 16% of total contributions receivable.

NOTE 17 - RELATED PARTY DISCLOSURES

During 2013 and 2012, the Organization paid \$6,600 to a Board member for satellite office space and recorded donated space for this satellite office in the amount of \$8,400 in 2013 and 2012. The donated office space amount represents the value of the discounted rent.

Pledges totaling \$101,572 are due from 22 members of the Organization's board of directors as of March 31, 2013 (\$240,458 are due from 26 members as of March 31, 2012).