

FRIENDS OF THE WARNER PARKS, INC.

FINANCIAL STATEMENTS

December 31, 2006 and 2005

FRIENDS OF THE WARNER PARKS, INC.
Nashville, Tennessee

FINANCIAL STATEMENTS
December 31, 2006 and 2005

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Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Friends of the Warner Parks, Inc.
Nashville, Tennessee

We have audited the accompanying statement of financial position of Friends of the Warner Parks, Inc. as of December 31, 2006, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Friends of the Warner Parks, Inc. as of December 31, 2005, were audited by other auditors whose report dated May 19, 2006, expressed an unqualified opinion on those statements.

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 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 Friends of the Warner Parks, Inc. as of December 31, 2006, and the change 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.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Brentwood, Tennessee
May 25, 2007

FRIENDS OF THE WARNER PARKS, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and cash equivalents	\$ 384,273	\$ 609,410
Contributions receivable (Note 3)	6,630	25,466
Investments (Note 5)	<u>-</u>	<u>290,654</u>
Land and property - at cost (Notes 6 and 7)	4,779,003	4,779,003
Assets restricted for land acquisitions and capital improvements:		
Contributions receivable (Note 3)	547,186	455,787
Investments (Note 5)	1,240,915	881,905
Beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee (Note 4)	<u>93,025</u>	<u>85,999</u>
Total assets	<u>\$ 7,051,032</u>	<u>\$ 7,128,224</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 57,610	\$ 48,626
Notes payable (Note 7)	<u>1,368,501</u>	<u>3,743,501</u>
Total liabilities	1,426,111	3,792,127
Net assets		
Designated for investment in property, net of related debt	3,410,502	1,035,502
Designated for beneficial interest in agency endowment fund (Note 4)	93,025	85,999
Undesignated	<u>828,743</u>	<u>745,553</u>
Total Unrestricted	4,332,270	1,867,054
Temporarily restricted (Note 8)	<u>1,292,651</u>	<u>1,469,043</u>
Total net assets	<u>5,624,921</u>	<u>3,336,097</u>
Total liabilities and net assets	<u>\$ 7,051,032</u>	<u>\$ 7,128,224</u>

See accompanying notes to financial statements.

FRIENDS OF THE WARNER PARKS, INC.
STATEMENTS OF ACTIVITIES

For the years ended December 31, 2006 and 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2006 Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2005 Total</u>
Support and revenues						
Public support:						
Fundraising events and contributions	\$ 388,579	\$ 2,492,245	\$ 2,880,824	\$ 333,922	\$ 965,762	\$ 1,299,684
Membership dues	51,030	-	51,030	49,231	-	49,231
Revenues:						
Investment income	17,412	38,239	55,651	2,318	37,775	40,093
Realized and unrealized gains on investments	-	63,302	63,302	-	20,211	20,211
Other income	6,815	-	6,815	4,537	-	4,537
Change in value of beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee (Note 4)	12,129	-	12,129	12,234	-	12,234
Net assets released from restriction:						
Satisfaction of time and purpose restrictions	2,770,178	(2,770,178)	-	814,251	(814,251)	-
	<u>3,246,143</u>	<u>(176,392)</u>	<u>3,069,751</u>	<u>1,216,493</u>	<u>209,497</u>	<u>1,425,990</u>
Expenses						
Program services	531,652	-	531,652	435,514	-	435,514
Supporting services:						
Management and general	51,686	-	51,686	42,085	-	42,085
Fundraising	197,589	-	197,589	188,345	-	188,345
Total expenses	<u>780,927</u>	<u>-</u>	<u>780,927</u>	<u>665,944</u>	<u>-</u>	<u>665,944</u>
Change in net assets	2,465,216	(176,392)	2,288,824	550,549	209,497	760,046
Net assets - beginning of year, as originally stated	<u>1,867,054</u>	<u>1,469,043</u>	<u>3,336,097</u>	<u>1,316,505</u>	<u>1,259,546</u>	<u>2,576,051</u>
Net assets, end of year	<u>\$ 4,332,270</u>	<u>\$ 1,292,651</u>	<u>\$ 5,624,921</u>	<u>\$ 1,867,054</u>	<u>\$ 1,469,043</u>	<u>\$ 3,336,097</u>

See accompanying notes to financial statements.

FRIENDS OF THE WARNER PARKS, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities		
Change in net assets	\$ 2,288,824	\$ 760,046
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realized and unrealized gains on investments	(63,302)	(20,211)
Restricted contributions for land acquisitions and capital improvements	(275,100)	(874,347)
Interest earned and realized and unrealized gains on restricted investments	(101,541)	(57,986)
Change in value of beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee	(11,126)	(12,234)
Changes in operating assets and liabilities:		
Decrease in contributions receivable	18,836	1,568
Increase in accounts payable and accrued expenses	<u>8,984</u>	<u>15,003</u>
Net change in operating activities	1,865,575	(188,161)
Cash flows from investing activities		
Proceeds from sale of investments	131,900	436,114
Purchases of investments	(136,954)	(209,037)
Acquisition of land and property	-	(354,814)
Distribution from agency endowment fund	<u>4,100</u>	<u>3,468</u>
Net change in investing activities	(954)	(124,269)
Cash flows from financing activities		
Proceeds from contributions restricted for land acquisitions and capital improvements	183,701	651,313
Interest earned and realized and unrealized gains on investments	101,541	57,986
Proceeds from notes payable	-	354,814
Principal payments on notes payable	<u>(2,375,000)</u>	<u>(510,696)</u>
Net change in financing activities	<u>(2,089,758)</u>	<u>553,417</u>
Net increase (decrease) in cash	(225,137)	240,987
Cash and cash equivalents - beginning of year	<u>609,410</u>	<u>368,423</u>
Cash and cash equivalents - end of year	<u>\$ 384,273</u>	<u>\$ 609,410</u>
Supplemental cash flow disclosure:		
Interest paid	<u>\$ 223,274</u>	<u>\$ 188,830</u>

See accompanying notes to financial statements.

FRIENDS OF THE WARNER PARKS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended December 31, 2006

	Program Services	Management And General	Fundraising	Total Supporting Services	Total
Employee compensation expenses:					
Contracted salaries and related payroll expenses (Note 10)	\$ 60,247	\$ 11,696	\$ 23,394	\$ 35,090	\$ 95,337
Salaries	22,193	17,620	87,763	105,383	127,576
Payroll taxes	1,760	1,397	6,959	8,356	10,116
Employee benefits	771	612	3,048	3,660	4,431
Total employee compensation expenses	84,971	31,325	121,164	152,489	237,460
Consultant	-	-	15,323	15,323	15,323
Park construction and restoration projects	159,085	-	-	-	159,085
Education	6,899	-	-	-	6,899
Interest	225,772	-	-	-	225,772
Landscaping	4,879	-	-	-	4,879
Promotion	26,800	-	40,200	40,200	67,000
Printing, postage, and publication	651	-	651	651	1,302
Professional development	2,168	148	148	296	2,464
Insurance and office expense	11,048	10,723	10,724	21,447	32,495
Professional services	-	4,800	-	4,800	4,800
Miscellaneous	9,379	4,690	9,379	14,069	23,448
Total	\$ 531,652	\$ 51,686	\$ 197,589	\$ 249,275	\$ 780,927

See accompanying notes to financial statements.

FRIENDS OF THE WARNER PARKS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended December 31, 2005

	Program Services	Management And General	Fundraising	Total Supporting Services	Total
Employee compensation expenses:					
Contracted salaries and related payroll expenses (Note 10)					
Salaries	64,768	11,245	22,491	33,736	98,504
Payroll taxes	20,660	16,897	79,050	95,947	116,607
Employee benefits	1,665	1,361	6,370	7,731	9,396
	<u>879</u>	<u>718</u>	<u>3,362</u>	<u>4,080</u>	<u>4,959</u>
Total employee compensation expenses	87,972	30,221	111,273	141,494	229,466
Consultant	\$ -	\$ -	\$ 30,013	\$ 30,013	\$ 30,013
Park construction and restoration projects	102,460	-	-	-	102,460
Education	7,764	-	-	-	7,764
Interest	194,021	-	-	-	194,021
Landscaping	6,843	-	-	-	6,843
Promotion	25,831	-	38,747	38,747	64,578
Printing, postage, and publication	1,576	-	1,577	1,577	3,153
Professional development	2,281	156	156	312	2,593
Insurance and office expense	6,327	6,140	6,140	12,280	18,607
Professional services	-	5,349	-	5,349	5,349
Miscellaneous	<u>439</u>	<u>219</u>	<u>439</u>	<u>658</u>	<u>1,097</u>
Total	<u>\$ 435,514</u>	<u>\$ 42,085</u>	<u>\$ 188,345</u>	<u>\$ 230,430</u>	<u>\$ 665,944</u>

See accompanying notes to financial statements.

FRIENDS OF THE WARNER PARKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 1 - GENERAL

Friends of the Warner Parks, Inc. (the "Organization") is a nonprofit organization whose purpose is to provide volunteer service to the Metropolitan Government of Nashville and Davidson County Tennessee Board of Parks and Recreation ("Metro Parks and Recreation") in order to preserve, protect, and improve the historic and natural quality of the Warner Parks and to improve the facilities, equipment, and programs of the Warner Parks. The Organization is funded primarily from membership dues and contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Contributions 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.

The Organization had no permanently restricted net assets at December 31, 2006 or 2005.

Cash and Cash Equivalents: Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to \$100,000 per financial institution. Additionally, for purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Contributions Receivable: Pledges receivable represent the remaining balance of unconditional promises to give that have not yet been paid. Pledges that are expected to be collected within one year or less are recorded at net realizable value. Pledges that are expected to be collected beyond one year are recorded at the present value of their estimated future cash flows. The pledges have been discounted using a risk-free interest rate applicable during the time the pledge was made (4.7% and 4.4% for 2006 and 2005 respectively). Amortization of the pledge discounts are recognized as contribution revenue each year until the pledge is paid in full. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

FRIENDS OF THE WARNER PARKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: Investments consist of certificates of deposit and securities and are carried at their quoted fair values on the last business day of the reporting period. The changes in unrealized gains and losses are recognized in the statement of activities for the year. Investments relate principally to contributions that were temporarily restricted for the Organization's Capital Campaign. Accordingly, substantially all investment income and gains are classified as temporarily restricted.

Agency Endowment Fund: The Organization's beneficial interest in an agency endowment fund held by the Community Foundation of Middle Tennessee is recognized as an asset. In addition, investment income and changes in the value of the fund are recognized in the statement of activity, and distributions received from the fund are recorded as decreases in the beneficial interest. (See Note 4.)

Income Taxes: The Organization is a not-for-profit corporation pursuant to Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related income pursuant to Section 501(a). Accordingly, no provision for income taxes is required for the Organization in the financial statements.

Donated Property and Materials: Donated items are recorded at their fair value at the date of the gift.

Donated Services: In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind contributions as both revenue and expense for the programs or activities benefited. For the years ended December 31, 2006 and 2005 in-kind contributions totaled \$6,815 and \$4,537 respectively.

Program and Supporting Services: The following functional expense classifications are included in the accompanying financial statements:

Program services - consist of programs to help preserve, protect and improve the historic and natural quality of the Warner Parks and to provide support to help improve the park facilities, equipment and programs.

Management and general - 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.

FRIENDS OF THE WARNER PARKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 benefited based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 during the reporting period. Actual results could differ from those estimates.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

As of December 31, 2006 and 2005, contributions receivable from related parties included \$112,731 and \$169,755, respectively, from members of the Organization's board of directors, and \$129,722 and \$200,441, respectively, from members of the Organization's advisory council.

The following is the detail of the pledges receivable balances at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Due in less than one year	\$ 193,409	\$ 173,207
Due in one to five years	<u>415,687</u>	<u>350,655</u>
	609,096	523,862
Less: Discount to present value	<u>(55,280)</u>	<u>(42,609)</u>
Subtotal	553,816	481,253
Less: Allowance for uncollectible amounts	<u>-</u>	<u>-</u>
	<u>\$ 553,816</u>	<u>\$ 481,253</u>

Contributions receivable are reported on the Statement of Financial Position as follows as of December 31:

FRIENDS OF THE WARNER PARKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 3 - CONTRIBUTIONS RECEIVABLE (Continued)

	<u>2006</u>	<u>2005</u>
Operating	\$ 6,630	\$ 25,466
Restricted for land acquisitions and capital improvements	<u>547,186</u>	<u>455,787</u>
	<u>\$ 553,816</u>	<u>\$ 481,253</u>

NOTE 4 - AGENCY ENDOWMENT FUND

The Organization has a beneficial interest in the Friends of Warner Parks Agency Fund, an agency endowment fund held by the Community Foundation of Middle Tennessee (the "Community Foundation"). Earnings on this fund are used to further the goals of Friends of the Warner Parks, Inc. The Organization has granted variance power to the Community Foundation, and the Community Foundation has the ultimate authority and control over the Fund and the income derived therefrom. The fund is charged a 0.4% administrative fee quarterly. Upon request by the Organization, income from the Fund representing a 5% annual return may be distributed to the Organization or to another suggested beneficiary.

A schedule of changes in the Organization's beneficial interest in this fund for the years ended December 31, follows:

	<u>2006</u>	<u>2005</u>
Balance - beginning of the year	\$ 85,999	\$ 77,233
Change in value of beneficial interest in agency endowment fund:		
Contributions to the fund	150	7,106
Investment income, net	11,571	5,649
Administrative expenses	<u>(595)</u>	<u>(521)</u>
	11,126	12,234
Distributions to the Organization	<u>(4,100)</u>	<u>(3,468)</u>
Balance - end of the year	<u>\$ 93,025</u>	<u>\$ 85,999</u>

FRIENDS OF THE WARNER PARKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 5 - INVESTMENTS

The following are the major types of investments held by the Organization at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Certificates of deposit	\$ 99,903	\$ 50,000
Common stocks	422,759	426,438
Preferred stocks	149,566	148,290
Corporate bonds	<u>568,687</u>	<u>547,831</u>
	<u>\$ 1,240,915</u>	<u>\$ 1,172,559</u>

Investments are reported on the Statement of Financial Position as follows as of December 31:

	<u>2006</u>	<u>2005</u>
Operating	\$ -	\$ 290,654
Restricted for land acquisitions and capital improvements	<u>1,240,915</u>	<u>881,905</u>
	<u>\$ 1,240,915</u>	<u>\$ 1,172,559</u>

NOTE 6 - LAND AND PROPERTY

During 2005, the Organization acquired certain land tracts surrounding the Warner Parks. The acquisitions were financed by bank loans (see Note 7). The Organization intends to donate the land to Metro Parks and Recreation after the outstanding debt is repaid. Although there is a house on one of the tracts, the Organization has no immediate plans to utilize the facility. Land and property consisted of the following at December 31:

	<u>2006</u>	<u>2005</u>
Land	\$ 4,529,003	\$ 4,529,003
House	<u>250,000</u>	<u>250,000</u>
	<u>\$ 4,779,003</u>	<u>\$ 4,779,003</u>

The land and property are pledged as security on the notes payable.

FRIENDS OF THE WARNER PARKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 7 - NOTES PAYABLE

A summary of long-term debt at December 31, 2006 and 2005 is as follows:

		<u>2006</u>	<u>2005</u>
Loan payable - SunTrust Bank	(1)	\$ 693,501	\$ 1,393,501
Loan payable - Pinnacle National Bank	(2)	675,000	1,400,000
Loan payable - Pinnacle National Bank	(3)	_____ -	_____ 950,000
		<u>\$ 1,368,501</u>	<u>\$ 3,743,501</u>

(1) Interest is charged at the LIBOR Floating Rate plus 1.30% (6.64% at December 31, 2006) and is payable monthly through August 1, 2007 (maturity date); secured by negative pledge on real estate acquired.

(2) Interest is charged at the LIBOR Floating Rate plus 1.10% (6.44% at December 31, 2006) and is payable monthly through July 30, 2007 (maturity date); secured by first mortgage lien on real estate acquired.

(3) Interest is charged at the LIBOR Floating Rate plus 2.25% (7.59% at December 31, 2006) and is payable monthly through July 30, 2006 (maturity date); secured by first mortgage lien on real estate acquired.

FRIENDS OF THE WARNER PARKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Changes in temporarily restricted net assets for the year ended December 31, 2006 were as follows:

	Temporarily Restricted Net Assets - Balance, as of January 1, <u>2006</u>	Contributions/ Additions/ Reclassifications	Release of Restrictions	Investment Income	Temporarily Restricted Net Assets - Balance, as of December 31, <u>2006</u>
Tree Trust	\$ 8,739	\$ 2,775	\$ (1,505)	\$ -	\$ 10,009
Chickering Road Improvement	731	-	-	-	731
PEN Pals Camp	5,280	5,000	(9,638)	-	642
USDA Tree Trail	43	-	-	-	43
Capital Campaign	1,337,692	2,412,704	(2,657,987)	101,541	1,193,950
Memorials	18,751	4,845	(1,567)	-	22,029
Programs and Events	-	4,525	(2,600)	-	1,925
Resource Management	8,000	30,000	(20,000)	-	18,000
Allee	24,797	-	-	-	24,797
Hodge House	8,580	-	-	-	8,580
SWEAT	-	19,596	(18,096)	-	1,500
Exhibits	-	50,000	(46,485)	-	3,515
Other grants and gifts	<u>56,430</u>	<u>(37,200)</u>	<u>(12,300)</u>	<u>-</u>	<u>6,930</u>
	<u>\$ 1,469,043</u>	<u>\$ 2,492,245</u>	<u>\$ (2,770,178)</u>	<u>\$ 101,541</u>	<u>\$ 1,292,651</u>

FRIENDS OF THE WARNER PARKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS (Continued)

Changes in temporarily restricted net assets for the year ended December 31, 2005 were as follows:

	Temporarily Restricted Net Assets - Balance, as of January 1, <u>2005</u>	Contributions/ Additions/ <u>Reclassifications</u>	Release of <u>Restrictions</u>	Investment <u>Income</u>	Temporarily Restricted Net Assets - Balance, as of December 31, <u>2005</u>
Tree Trust	\$ 10,627	\$ 1,477	\$ (3,365)	\$ -	\$ 8,739
Chickering Road Improvement	731	-	-	-	731
PEN Pals Camp	67	15,000	(9,787)	-	5,280
USDA Tree Trail	43	-	-	-	43
Capital Campaign	1,172,140	874,347	(766,781)	57,986	1,337,692
Memorials	21,789	1,388	(4,426)	-	18,751
Resource Management	8,000	-	-	-	8,000
Allee	24,797	-	-	-	24,797
Hodge House	8,580	-	-	-	8,580
SWEAT	-	9,000	(9,000)	-	-
Other grants and gifts	<u>12,772</u>	<u>64,550</u>	<u>(20,892)</u>	<u>-</u>	<u>56,430</u>
	<u>\$ 1,259,546</u>	<u>\$ 965,762</u>	<u>\$ (814,251)</u>	<u>\$ 57,986</u>	<u>\$ 1,469,043</u>

NOTE 9 - CONCENTRATION OF CREDIT RISK

The Organization began a new capital campaign at the end of 2004 in order to help pay for the additional land purchased in 2004. One contributor to the campaign in 2006 and 2005 accounted for 80% and 7% of total contributions in 2006. The Organization's primary fundraiser, "Sunday in the Park," accounted for \$126,320 and \$111,493, or 32% and 33% of the unrestricted contributions in 2006 and 2005, respectively. The Organization's fundraiser with Luke Lea Society accounted for \$86,000 and \$88,370, or 22% and 26% of the unrestricted contributions in 2006 and 2005, respectively.

From time to time throughout the year, the Organization's bank balances with financial institutions exceeded FDIC insurance limits. Management considers this to be a normal business risk. At December 31, 2006 and 2005, cash balances per bank exceeded the FDIC insurance limits by approximately \$80,000 and \$300,000, respectively.

FRIENDS OF THE WARNER PARKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005

NOTE 10 - CONTRACTED SALARIES AND RELATED PAYROLL COSTS

The Organization reimburses Metro Parks and Recreation for personnel expenses for the following positions: office assistant, naturalists, security services and staff ranger.