FRIENDS OF THE WARNER PARKS, INC.

FINANCIAL STATEMENTS
December 31, 2012 and 2011

FRIENDS OF THE WARNER PARKS, INC.
Nashville, Tennessee

FINANCIAL STATEMENTS
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Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Friends of the Warner Parks, Inc., which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, cash flows and functional expenses 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 from material misstatement.

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

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

(Continued)

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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Crowe Horwath LLP

Crowe Horwath LLP

Brentwood, Tennessee
July 11, 2013

FRIENDS OF THE WARNER PARKS, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	$ 523,962	$ 486,944
Contributions receivable (Note 3)	10,094	9,074
Land - cost (Note 5)	10,800,326	10,800,326
Automobile, net (Note 5)	2,214	5,536
Assets restricted for land acquisitions and capital improvements:		
Contributions receivable (Note 3)	193,618	688,006
Cash	1,407,052	941,988
Beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee (Note 4)	81,473	76,024
Total assets	$ 13,018,739	$ 13,007,898
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 22,133	$ 20,028
Net assets		
Designated for investment in property, net of related debt	10,800,326	10,800,326
Designated for beneficial interest in agency endowment fund (Note 4)	81,473	76,024
Undesignated	253,378	318,929
Total unrestricted	11,135,177	11,195,279
Temporarily restricted (Note 6)	1,861,429	1,792,591
Total net assets	12,996,606	12,987,870
Total liabilities and net assets	$ 13,018,739	$ 13,007,898

See accompanying notes to financial statements.

FRIENDS OF THE WARNER PARKS, INC.
STATEMENTS OF ACTIVITIES
For the Years ended December 31, 2012 and 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenues						
Public support:						
Fundraising events and contributions	$ 302,737	$ 272,797	$ 575,534	$ 428,287	$ 245,710	$ 673,997
Membership dues	68,620	-	68,620	44,899	-	44,899
Revenues:						
Investment income	793	2,810	3,603	297	4,250	4,547
Other income (expense)	17,538	-	17,538	18,598	-	18,598
Change in value of beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee (Note 4)	5,449	-	5,449	(5,806)	-	(5,806)
Net assets released from restriction:						
Satisfaction of time and purpose restrictions	206,769	(206,769)	-	201,520	(201,520)	-
	601,906	68,838	670,744	687,795	48,440	736,235
Expenses						
Program services	422,570	-	422,570	410,000	-	410,000
Supporting services:						
Management and general	56,956	-	56,956	53,455	-	53,455
Fundraising	182,482	-	182,482	177,466	-	177,466
Total expenses	662,008	-	662,008	640,921	-	640,921
Change in net assets	(60,102)	68,838	8,736	46,874	48,440	95,314
Net assets, beginning of year	11,195,279	1,792,591	12,987,870	11,148,405	1,744,151	12,892,556
Net assets, end of year	$ 11,135,177	$ 1,861,429	$ 12,996,606	$ 11,195,279	$ 1,792,591	$ 12,987,870

See accompanying notes to financial statements.

FRIENDS OF THE WARNER PARKS, INC.
STATEMENTS OF CASH FLOWS
For the Years ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Change in net assets	$ 8,736	$ 95,314
Adjustments to reconcile change in net assets to net cash from operating activities:		
Amortization of discount on restricted contributions	(5,105)	(5,432)
Depreciation of fixed assets	3,322	3,322
Change in value of beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee	(9,349)	2,006
Changes in operating assets and liabilities:		
Contributions receivable	(1,020)	(4,674)
Accounts payable and accrued expenses	2,105	(688)
Other assets	-	6,087
Net change in cash from operating activities	(1,311)	95,935
Cash flows from investing activities		
Change in restricted cash	(465,064)	(342,058)
Distribution from agency endowment fund	3,900	3,800
Net change in cash from investing activities	(461,164)	(338,258)
Cash flows from financing activities		
Proceeds from contributions restricted for land acquisitions and capital improvements	499,493	403,263
Principal payments on notes payable	-	(12,710)
Net change in cash from financing activities	499,493	390,553
Net change in cash and cash equivalents	37,018	148,230
Cash and cash equivalents - beginning of year	486,944	338,714
Cash and cash equivalents - end of year	$ 523,962	$ 486,944
Supplemental cash flow disclosure:		
Interest paid	$ -	$ 304

See accompanying notes to financial statements.

FRIENDS OF THE WARNER PARKS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year ended December 31, 2012

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Employee compensation expenses:					
Contracted salaries and related payroll expenses (Note 8)	$ 29,293	$ 12,971	$ 25,943	$ 38,914	$ 68,207
Salaries	86,622	16,500	53,250	69,750	156,372
Payroll taxes	6,964	1,327	4,281	5,608	12,572
Employee benefits	4,728	900	2,906	3,806	8,534
Total employee compensation expenses	127,607	31,698	86,380	118,078	245,685
Park construction and restoration projects	210,394	-	-	-	210,394
Education	8,854	-	-	-	8,854
Promotion	52,206	-	78,310	78,310	130,516
Printing, postage, and publication	3,189	-	-	-	3,189
Professional development	2,226	152	152	304	2,530
Insurance and office expense	15,434	14,980	14,980	29,960	45,394
Professional services	-	8,796	-	8,796	8,796
Nature Center	2,660	1,330	2,660	3,990	6,650
Total	$ 422,570	$ 56,956	$ 182,482	$ 239,438	$ 662,008

See accompanying notes to financial statements.

FRIENDS OF THE WARNER PARKS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year ended December 31, 2011

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Employee compensation expenses:					
Contracted salaries and related payroll expenses (Note 8)	$ 26,131	$ 12,246	$ 24,491	$ 36,737	$ 62,868
Salaries	82,660	15,650	54,100	69,750	152,410
Payroll taxes	6,637	1,257	4,343	5,600	12,237
Employee benefits	5,367	1,016	3,512	4,528	9,895
Total employee compensation expenses	120,795	30,169	86,446	116,615	237,410
Park construction and restoration projects	196,435	-	-	-	196,435
Education	9,809	-	-	-	9,809
Landscaping	11,249	-	-	-	11,249
Promotion	48,452	-	72,677	72,677	121,129
Printing, postage, and publication	2,849	-	-	-	2,849
Professional development	1,781	122	122	244	2,025
Insurance and office expense	13,918	13,509	13,509	27,018	40,936
Professional services	-	7,299	-	7,299	7,299
Nature Center	4,712	2,356	4,712	7,068	11,780
Total	$ 410,000	$ 53,455	$ 177,466	$ 230,921	$ 640,921

See accompanying notes to financial statements.

NOTE 1 - GENERAL

Friends of the Warner Parks, Inc. (the "Organization") is a not-for-profit 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, 2012 or 2011.

Cash and Cash Equivalents: Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to $250,000 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: Contributions 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 rate commensurate with the risk. The interest rate used is 4.35% for pledges received in 2005, 4.70% for pledges received in 2006, 1.55% for pledges received in 2008 and 2.69% for pledges received in 2009. The most recent capital campaign ended in 2009. 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. An allowance for doubtful accounts is determined by management based on historic loss experience. Management has not recorded an allowance for doubtful accounts at December 31, 2012 or 2011 as they believe all amounts to be collectible.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Agency Endowment Fund: The Organization's beneficial interest in an agency endowment fund is held by the Community Foundation of Middle Tennessee. 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 in the statement of financial position. (Note 4)

Valuation of Investments: Investments consist of a beneficial interest in an endowment fund and are carried at their 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 are carried at their estimated fair value. A fair value hierarchy is established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumption about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following is a description of the valuation methods and assumptions used by the Organization to estimate the fair values of investments:

Beneficial interest in agency endowment fund - The fair value of beneficial interests in the agency endowment fund assets were determined based upon the fair value of the underlying trust assets at year end. This valuation method has been estimated to represent the present value of future distributed income. The Organization is able to compare the valuation model inputs and results to widely available published industry data for reasonableness. The Organization is also restricted in its ability to redeem the investment (level 3 inputs).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following tables present investments measured at fair value:

	Fair Value Measurements at December 31, 2012 Using:			
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Beneficial interest in agency endowment fund	$ -	$ -	$ 81,473	$ 81,473

	Fair Value Measurements at December 31, 2011 Using:			
	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Beneficial interest in agency endowment fund	$ -	$ -	$ 76,024	$ 76,024

The table below presents a reconciliation of all investments measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the years ended December 31, included in the accompanying statement of financial position.

	Beneficial Interest in Agency Endowment Fund	
	2012	2011
Balance of recurring level 3 investments at January 1:	$ 76,024	$ 81,830
Total gains or losses included in change in net assets:		
Realized appreciation (depreciation)	(2,352)	4,710
Unrealized appreciation (depreciation) relating to assets held at year end	10,934	(7,175)
Net appreciation (depreciation) in fair value of investments	8,582	(2,465)
Interest income	1,321	990
Contributions to the fund	25	80
Grants and administrative fees	(4,479)	(4,411)
Balance of recurring Level 3 investments at December 31	$ 81,473	$ 76,024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes: The Organization is a not-for-profit organization 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.

The Organization adopted guidance issued by the FASB with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded.

The Organization is no longer subject to examination by taxing authorities for years before 2009. The Organization does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

The Organization recognizes interest and/or penalties related to income tax matters in income tax expense. The Organization did not have any amounts accrued for interest and penalties at December 31, 2012 or 2011.

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

Fixed Assets: Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. When properties are retired or otherwise disposed of the appropriate accounts are relieved of cost and accumulated depreciation, and any resulting gain or loss is recognized.

The assets' estimated lives used in computing depreciation are as follows:

Automobiles	3 years

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 value of certain in-kind contributions as both revenue and expense for the programs or activities benefited. For the Years ended December 31, 2012 and 2011 in-kind contributions totaled $13,638 and $66,388, respectively.

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

Program Services - This classification includes the costs 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management and General - This classification includes the costs of functions necessary to ensure an adequate working environment and costs not identifiable with a single program or fundraising activity. Costs associated with providing coordination and articulation of the Organization's program strategy, business management, general record-keeping, budgeting and related purposes are also included.

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

<u>Allocation of Functional Expenses</u>: 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.

<u>Use of Estimates</u>: 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.

<u>Subsequent Events</u>: Management has performed an analysis of the activities and transactions subsequent to December 31, 2012 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2012. Management has performed their analysis through July 11, 2013, which was the date the financial statements were available to be issued.

<u>Reclassifications</u>: Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications had no effect on the total net assets or change in net assets.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

As of December 31, 2012 and 2011, contributions receivable from related parties included \$30,599 and \$13,404, respectively, from members of the Organization's board of directors, and \$51,900 and \$174,485, respectively, from members of the Organization's advisory council.

NOTE 3 - CONTRIBUTIONS RECEIVABLE (Continued)

The following is the detail of the pledges receivable balances at December 31:

	2012	2011
Due in less than one year	$ 196,699	$ 630,637
Due in one to five years	7,400	71,935
	204,099	702,572
Less: Discount to present value	(387)	(5,492)
	$ 203,712	$ 697,080

Contributions receivable are reported on the statement of financial position as follows as of December 31:

	2012	2011
Operating	$ 10,094	$ 9,074
Restricted for land acquisitions and capital improvements	193,618	688,006
	$ 203,712	$ 697,080

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.

NOTE 5 - FIXED ASSETS

The Organization's fixed assets and the related accumulated depreciation were as follows at December 31:

	2012	2011
Land	$ 10,800,326	$ 10,800,326
Automobile	9,965	9,965
	10,810,291	10,810,291
Less: accumulated depreciation on automobile	7,751	4,429
	$ 10,802,540	$ 10,805,862

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Changes in temporarily restricted net assets for the year ended December 31, 2012 were as follows:

	Temporarily Restricted Net Assets - Balance, as of January 1, 2011	Contributions/ Additions/ Reclassifications	Release of Restrictions	Investment Income	Temporarily Restricted Net Assets - Balance, as of December 31, 2011
Tree Trust	$ 6,575	$ 3,685	$ (1,335)	$ -	$ 8,925
PEN Pals Camp	2,898	15,000	(9,878)	-	8,020
Capital Campaign	518,053	2,000	(584)	44	519,513
Memorials	30,333	9,935	(4,935)	-	35,333
Resource Management	113,133	156,979	(129,453)	-	140,659
Allee	16,187	-	-	-	16,187
Hodge House	5,634	10,766	(16,400)	-	-
SWEAT	-	39,918	(39,918)	-	-
Exhibits	2,419	-	-	-	2,419
Other grants and gifts	17,207	10,090	(3,073)	-	24,224
Hill Tract Campaign	1,080,152	24,424	(1,193)	2,766	1,106,149
	$ 1,792,591	$ 272,797	$ (206,769)	$ 2,810	$ 1,861,429

Changes in temporarily restricted net assets for the year ended December 31, 2011 were as follows:

	Temporarily Restricted Net Assets - Balance, as of January 1, 2011	Contributions/ Additions/ Reclassifications	Release of Restrictions	Investment Income	Temporarily Restricted Net Assets - Balance, as of December 31, 2010
Tree Trust	$ 4,367	$ 3,475	$ (1,267)	$ -	$ 6,575
Chickering Road Improvement	641	-	(641)	-	-
PEN Pals Camp	521	10,245	(7,868)	-	2,898
USDA Tree Trail	43	-	(43)	-	-
Capital Campaign	579,806	-	(61,820)	67	518,053
Memorials	25,147	8,226	(3,040)	-	30,333
Resource Management	-	113,341	(208)	-	113,133
Allee	16,187	-	-	-	16,187
Hodge House	11,151	500	(6,017)	-	5,634
SWEAT	-	20,684	(20,684)	-	-
Exhibits	3,470	-	(1,051)	-	2,419
Other grants and gifts	20,256	857	(3,906)	-	17,207
Hill Tract Campaign	1,082,562	88,382	(94,975)	4,183	1,080,152
	$ 1,744,151	$ 245,710	$ (201,520)	$ 4,250	$ 1,792,591

NOTE 7 - CONCENTRATION OF CREDIT RISK

The Organization began a capital campaign at the end of 2004 and again in 2008 in order to help pay for land purchased in 2004 and 2009. There was not an active capital campaign in 2011 or 2012. The Organization's primary fundraiser, "Sunday in the Park," accounted for $146,278 and $157,521, or 48% and 37% of the unrestricted contributions in the years ended December 31, 2012 and 2011, respectively. The Organization's fundraiser with Luke Lea Society accounted for $75,000 and $79,223, or 25% of the unrestricted contributions in the years ended December 31, 2012 and 2011.

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, 2012 and 2011, cash balances per the bank exceeded the FDIC insurance limits by approximately $1,131,309 and $797,675, respectively.

NOTE 8 - 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.