

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2018 AND 2017**

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 22

BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Tennessee Parks and Greenways Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Tennessee Parks and Greenways Foundation (a not-for-profit corporation, the "Organization"), which comprise the statements of financial position as of September 30, 2018 and 2017, 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.

Auditors' 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tennessee Parks and Greenways Foundation as of September 30, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 23 to the financial statements, the 2017 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Blankenship CPA Group, PLLC

December 4, 2018

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017**

ASSETS

	2018	2017
Current Assets:		
Cash and cash equivalents	\$ 1,442,136	\$ 679,192
Certificates of deposit	1,248,566	521,479
Unconditional promises to give	8,500	17,500
Prepaid expense	6,091	8,457
Investments	32,844	29,882
Total current assets	2,738,137	1,256,510
Other Assets:		
Cash	1,633,000	30,041
Deposit held in escrow for building purchase	50,000	-
Investments	35,041	-
Note receivable	14,947	25,000
Land and building inventory	1,620,096	3,014,827
Beneficial interest in trust	20,531	20,062
Property and equipment, net	297,682	300,788
Total other assets	3,671,297	3,390,718
 Total Assets	 \$ 6,409,434	 \$ 4,647,228

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued expenses	\$ 4,984	\$ 8,950
Note payable	-	760,588
Accrued vacation	24,664	22,494
Total current liabilities	29,648	792,032
Net Assets:		
Unrestricted	1,006,426	2,289,980
Unrestricted board-designated	5,020,901	1,180,241
Total unrestricted net assets	6,027,327	3,470,221
Temporarily restricted	264,887	302,872
Permanently restricted	87,572	82,103
Total restricted net assets	352,459	384,975
Total net assets	6,379,786	3,855,196
Total Liabilities and Net Assets	\$ 6,409,434	\$ 4,647,228

See accompanying notes to financial statements.

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue:				
Contributions	\$ 3,587,570	\$ 261,406	\$ 5,000	\$ 3,853,976
Investment income	28,952	-	469	29,421
In-kind revenue	19,724	-	-	19,724
Loss on sale of property	(237,326)	-	-	(237,326)
Net assets released from restrictions	<u>299,391</u>	<u>(299,391)</u>	<u>-</u>	<u>-</u>
 Total public support and revenue	 <u>3,698,311</u>	 <u>(37,985)</u>	 <u>5,469</u>	 <u>3,665,795</u>
 Expenses:				
Program services	952,220	-	-	952,220
Supporting services:				
Management and general	80,116	-	-	80,116
Fundraising	<u>108,869</u>	<u>-</u>	<u>-</u>	<u>108,869</u>
 Total expenses	 <u>1,141,205</u>	 <u>-</u>	 <u>-</u>	 <u>1,141,205</u>
 Increase in net assets	 2,557,106	 (37,985)	 5,469	 2,524,590
 Net assets - beginning of year	 <u>3,470,221</u>	 <u>302,872</u>	 <u>82,103</u>	 <u>3,855,196</u>
 Net assets - end of year	 <u>\$ 6,027,327</u>	 <u>\$ 264,887</u>	 <u>\$ 87,572</u>	 <u>\$ 6,379,786</u>

See accompanying notes to financial statements.

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue:				
Contributions	\$ 1,580,088	\$ 50,751	\$ 200	\$ 1,631,039
Investment income	7,435	-	1,602	9,037
In-kind revenue	6,737	-	-	6,737
Donated land inventory	286,000	-	-	286,000
Loss on sale of property	(7,661)	-	-	(7,661)
Net assets released from restrictions	<u>48,419</u>	<u>(48,419)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>1,921,018</u>	<u>2,332</u>	<u>1,802</u>	<u>1,925,152</u>
Expenses:				
Program services	572,230	-	-	572,230
Supporting services:				
Management and general	64,907	-	-	64,907
Fundraising	<u>126,932</u>	<u>-</u>	<u>-</u>	<u>126,932</u>
Total expenses	<u>764,069</u>	<u>-</u>	<u>-</u>	<u>764,069</u>
Increase in net assets	1,156,949	2,332	1,802	1,161,083
Net assets - beginning of year	<u>2,313,272</u>	<u>300,540</u>	<u>80,301</u>	<u>2,694,113</u>
Net assets - end of year	<u>\$ 3,470,221</u>	<u>\$ 302,872</u>	<u>\$ 82,103</u>	<u>\$ 3,855,196</u>

See accompanying notes to financial statements.

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Automotive	\$ 78	\$ 13	\$ 8	\$ 99
Computer and equipment	9,113	785	5,812	15,710
Contributions	161,621	-	-	161,621
Depreciation	4,452	-	-	4,452
Dues and subscriptions	4,439	-	171	4,610
Events	17,227	-	36,275	53,502
In-kind expense	17,657	-	2,067	19,724
Insurance	15,698	1,610	991	18,299
Interest	5,212	-	-	5,212
Licenses and fees	24,477	532	1,596	26,605
Marketing	922	-	22	944
Meetings	5,422	95	2,282	7,799
Occupancy and utilities	9,312	7,619	581	17,512
Postage and shipping	4,860	221	3,639	8,720
Printing	12,521	231	7,862	20,614
Professional development	4,498	-	-	4,498
Professional fees	228,582	2,050	3,193	233,825
Property tax	8,968	-	-	8,968
Staffing payroll	401,764	66,113	40,685	508,562
Supplies and office supplies	6,190	688	1,039	7,917
Travel	9,207	159	2,646	12,012
	<u>\$ 952,220</u>	<u>\$ 80,116</u>	<u>\$ 108,869</u>	<u>\$ 1,141,205</u>

See accompanying notes to financial statements.

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Automotive	\$ 550	\$ -	\$ 105	\$ 655
Bad debts	1,000	-	-	1,000
Clothing and merchandise	136	-	-	136
Computer and equipment	4,769	452	4,873	10,094
Depreciation	4,384	-	-	4,384
Dues and subscriptions	5,348	-	-	5,348
Events	18,277	-	54,279	72,556
In-kind expense	6,180	557	-	6,737
Insurance	7,982	1,680	947	10,609
Interest	40,234	4,470	-	44,704
Licenses and fees	8,583	1,017	96	9,696
Marketing	3,057	-	1,505	4,562
Meetings	2,251	121	1,640	4,012
Occupancy and utilities	10,004	6,814	1,002	17,820
Postage and shipping	3,580	122	4,350	8,052
Printing	14,543	72	7,454	22,069
Professional development	2,088	-	-	2,088
Professional fees	42,367	2,386	5,848	50,601
Property tax	3,038	-	-	3,038
Staffing payroll	378,907	46,838	42,107	467,852
Supplies and office supplies	3,474	288	371	4,133
Travel	11,478	90	2,355	13,923
	<u>\$ 572,230</u>	<u>\$ 64,907</u>	<u>\$ 126,932</u>	<u>\$ 764,069</u>

See accompanying notes to financial statements.

TENNESSEE PARKS AND GREENWAYS FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
Cash Flows from Operating Activities:		
Increase in net assets	\$ 2,524,590	\$ 1,161,083
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	4,452	4,384
Bad debts	-	1,000
Forgiveness of debt	-	(1,269)
Unrealized gain on investments	(793)	-
Donated land inventory	-	(286,000)
Loss on sale of land inventory	237,326	7,661
Donated securities	(80,794)	(70,245)
Changes in assets and liabilities:		
Unconditional promises to give	9,000	17,600
Prepaid expenses	2,366	(8,457)
Beneficial interest in trust	(469)	(1,802)
Accounts payable and accrued expenses	(3,966)	(8,564)
Accrued vacation	2,170	2,920
Sale of donated securities	80,582	70,245
Total adjustments	249,874	(272,527)
Net cash provided by operating activities	2,774,464	888,556
Cash Flows from Investing Activities:		
Certificates of deposit	(727,087)	(226,989)
Purchase of property and equipment	(1,346)	(5,737)
Deposit made to escrow for building purchase	(50,000)	-
Purchase of securities	(36,998)	-
Sale of land inventory	3,101,200	213,789
Purchase of land inventory	(1,943,795)	(146,800)
Net cash provided by investing activities	341,974	(165,737)
Cash Flows from Financing Activities:		
Payment received on note receivable	10,053	-
Issuance of note receivable	-	(25,000)
Repayment of note payable	(760,588)	(1,039,412)
Repayment of note payable to related party	-	(11,000)
Net cash used by financing activities	(750,535)	(1,075,412)
Net increase (decrease) in cash and cash equivalents	2,365,903	(352,593)
Cash and cash equivalents - beginning of year	709,233	1,061,826
Cash and cash equivalents - end of year	\$ 3,075,136	\$ 709,233
Reconciliation of Cash to Statement of Financial Position:		
Cash and cash equivalents - unrestricted	\$ 1,442,136	\$ 679,192
Cash - other asset	1,633,000	30,041
	\$ 3,075,136	\$ 709,233

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE 1 – Summary of Significant Accounting Policies

Nature of Activities

Tennessee Parks and Greenways Foundation (the “Foundation” or “Organization”) is a not-for-profit corporation chartered on July 26, 1994, as the Tennessee State Parks Foundation. The Foundation was reorganized in November 1997 as the Tennessee Parks and Greenways Foundation and its purpose is to protect Tennessee’s natural treasures. The Foundation is primarily supported by contributions.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may, or will be, met by the Foundation’s actions and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned and any related investments for general or specific purposes.

Revenue

Revenue is recognized as it is received or promised in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations.

Cash and Cash Equivalents

For the purposes of the Statements of Cash Flows, the Foundation considers all unrestricted cash and investment instruments purchased with an original maturity date of ninety days or less from the date of issuance to be cash equivalents.

Unconditional Promises to Give

Unconditional promises to give (pledges) are recognized as contribution revenue when the donor’s commitment is received. Pledges with payments due in future periods are recorded as increases in temporarily restricted or permanently restricted net assets at the estimated present value of future cash flows, net of an allowance for estimated uncollectible promises. Allowance is made for uncollectible contributions receivable based upon the Foundation’s analysis of past collection experience and other judgmental factors. At September 30, 2018 and 2017, an allowance was not considered necessary. In contrast to unconditional promises as described above, conditional promises are not recorded until donor contingencies are substantially met.

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE 1 – Summary of Significant Accounting Policies (continued)

Investments

Investments are reported at fair value (see Note 4). To the extent available, fair value is based on quoted prices for securities traded on public exchanges. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities, or other reasonable valuation methodologies, such as market values estimated by investment advisors or other qualified sources. Investments acquired by gift or bequest are initially recorded at market or appraised value at the date so acquired. All investment gains or losses are included in the Statements of Activities.

At September 30, 2018, investments consist of fixed income and equity securities.

Property and Equipment and Depreciation

Property and equipment is recorded at cost, or, if donated, at the estimated fair market value at the date of donation. The Foundation's capitalization policy is to capitalize any expenditure over \$500 for property and equipment. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. At September 30, 2018 and 2017, no assets were considered to be impaired.

Collections

The collections are conservation easements which were acquired through contributions. These collections are not recognized as assets on the Statements of Financial Position.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

Advertising is expensed as incurred.

In-kind Revenues and Expenses

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

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE 1 – Summary of Significant Accounting Policies (continued)

Income Taxes

The Foundation is a tax-exempt organization under Section 501c(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. The Foundation does not believe there are any uncertain tax positions. Further, the Foundation does not believe they have any unrelated business income, which would be subject to federal income taxes. The Foundation is not subject to examination by U.S. federal or state taxing authorities for years before 2014.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Foundation to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Reclassifications

Certain prior period amounts are reclassified to conform to the current year presentation.

NOTE 2 – Certificates of Deposit

The Foundation has various certificates of deposit with interest rates between 1.80% and 1.90% and mature in early 2019.

NOTE 3 – Unconditional Promises to Give

Unconditional promises to give as of September 30, 2018 and 2017 were \$8,500 and \$17,500, respectively, and were due within one year.

NOTE 4 – Fair Value Measurements

The Foundation uses a framework for measuring fair value and disclosing fair values. The Foundation defines fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. This framework is used for all assets and liabilities measured and reported on a fair value basis and enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Each asset and liability carried at fair value is classified into one of the following categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market based inputs or unobservable inputs corroborated by market data.

Level 3 – Unobservable inputs not corroborated by market data.

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE 4 – Fair Value Measurements (continued)

The following tables summarize the Foundation's financial assets measured at fair value on a recurring basis segregated by level of valuation inputs within the fair value hierarchy utilized to measure fair value. Fair values were as follows for September 30, 2018:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Beneficial interest in trust	\$ 20,531	\$ 20,531	\$ -	\$ -	\$ 20,531
Money market	30,094	30,094	30,094	-	-
Equities	23,310	23,310	23,310	-	-
Fixed income	14,481	14,481	14,481	-	-
	<u>\$ 88,416</u>	<u>\$ 88,416</u>	<u>\$ 67,885</u>	<u>\$ -</u>	<u>\$ 20,531</u>

Fair values were as follows for September 30, 2017:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Beneficial interest in trust	\$ 20,062	\$ 20,062	\$ -	\$ -	\$ 20,062
Money market	29,882	29,882	29,882	-	-
	<u>\$ 49,944</u>	<u>\$ 49,944</u>	<u>\$ 29,882</u>	<u>\$ -</u>	<u>\$ 20,062</u>

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE 4 – Fair Value Measurements (continued)

As discussed above, the Foundation is required to report fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to the valuation techniques. The fair values of the beneficial interest in agency funds are based directly from summary statements from the Community Foundation of Middle Tennessee and the Community Foundation of Greater Memphis with the value of the funds as of September 30, 2018 and 2017.

There were no transfers between Level 1, Level 2, and Level 3 investments during the years ended September 30, 2018 and 2017. A reconciliation of changes in the amounts reported for the assets valued using Level 1 and Level 3 inputs are included in Note 12.

Beneficial interest in agency endowment fund at September 30, 2018 and 2017, are shown in the financial statements as follows:

	<u>2018</u>	<u>2017</u>
Money market	\$ 30,094	\$ 29,882
Beneficial interest in trust	<u>20,531</u>	<u>20,062</u>
	<u>\$ 50,625</u>	<u>\$ 49,944</u>

NOTE 5 – Property and Equipment

Property and equipment consists of the following at September 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 231,124	\$ 231,124
Building	64,134	64,134
Furniture and equipment	19,396	34,974
Land improvements	6,943	6,943
Vehicles	<u>3,410</u>	<u>3,410</u>
	325,007	340,585
Less accumulated depreciation	<u>(27,325)</u>	<u>(39,797)</u>
Property and equipment - net	<u>\$ 297,682</u>	<u>\$ 300,788</u>

NOTE 6 – Note Receivable

During the year ended September 30, 2017, the Foundation issued a note receivable in the amount of \$25,000 to another organization. The note bears interest at 3.25% per annum and requires three annual interest only payments. The note matures July 6, 2020 and is collateralized by land. One principal payment was received during 2018 for \$10,053.

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE 7 – Land and Building Inventory

Land and building inventory represent land and buildings that have either been contributed by a donor or purchased by the Foundation to protect the rights and use of the land. The land and building inventory may be sold at any point to the right buyer. As of September 30, 2018 and 2017, no inventory was held for sale and it is not being used for operational purposes

Land and building inventory is valued based on the appraisal obtained from a certified appraiser at the time of donation or purchase. The carrying value approximates fair value. Land and building inventory consists of the following at September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Tipton Co. - Randolph Bluff (land)	\$ 70,000	\$ 70,000
Tipton Co. - Randolph Bluff (building)	210,432	210,432
Fentress Co. - White Oak Creek (land)	265,000	265,000
Cumberland Co. - Grassy Cove (land)	-	1,938,448
Lincoln Co. - Wells Hill (land)	-	286,000
Putnam Co. - Mill Creek (land)	-	100,328
Davidson Co. - Hill's Island (land)	40,000	40,000
Cheatham Co. - Eagle Pass (land)	36,500	36,500
Cheatham Co. - Eagle Pass Trial Addition (land)	12,000	12,000
Cumberland Co. - Braun (land)	32,000	32,000
Davidson Co. - Belle Forest Cave (land)	24,119	24,119
Shelby Co. - Felt Tract (land)	2,600	-
Warren Co. - Rock Island Tolbert (land)	250,000	-
Coffee Co. - Bark Camp Barrens (land)	444,870	-
Cumberland Co. - Hinch Mountain - Warner (land)	232,575	-
	<u>\$1,620,096</u>	<u>\$3,014,827</u>

NOTE 8 – Note Payable

As of September 30, 2017, the Foundation had a note payable in the amount of \$760,588, which was secured by land and had an interest rate of 3%. The Foundation paid off the debt in January 2018.

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE 9 – Board Designated Net Assets

Board designated net assets consist of the following at September 30:

	<u>2018</u>	<u>2017</u>
Stewardship and Legal Defense Fund	\$ 128,375	\$ 130,000
Emergency Land Fund - Note 18	2,099,370	740,191
Forever Green TN	-	23,700
Advocacy	40,000	-
WHCAF	25,000	-
Land Specialist	59,937	-
Building purchase	1,633,000	-
Operating Reserve	<u>1,035,219</u>	<u>286,350</u>
	<u>\$5,020,901</u>	<u>\$1,180,241</u>

NOTE 10 – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at September 30:

	<u>2018</u>	<u>2017</u>
Belle Forest Cave	\$ 9,825	\$ 9,825
Devil's Race Track / National Coal Settlement	-	40,000
Stewardship and Legal Defense Fund	151,009	146,150
Hills Island	479	479
Land Protection / Apollo Fuels	-	10,805
White's Creek	8,908	8,908
Land Trust Alliance Leadership Grant	-	820
Appalachian Community Fund	-	1,000
Natchez Trace	300	300
Premium Coal - East TN Land	-	83,700
Frist Tech Grant	-	785
TN Central Heritage Greenway	100	100
Batey Farm - FOILP Funds	9,631	-
Solomon Hollow Grant	1,000	-
Prichard Project	298	-
Maddox Grant	30,000	-
Landowner Assistance Fund	5,000	-
Mitchell Cove	20,014	-
NFWF Grant	20	-
Rock Island	10,803	-
Mill Creek	5,000	-
Dry Creek Trail	<u>12,500</u>	<u>-</u>
	<u>\$ 264,887</u>	<u>\$ 302,872</u>

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE 11 – Permanently Restricted Net Assets

Permanently restricted net assets consists of the following at September 30:

	2018	2017
Dr. and Mrs. Braun land contribution	32,000	\$ 32,000
Lucy B. Finch Conservation Endowment	35,041	30,041
Community Foundation of Middle Tennessee	20,531	20,062
	\$ 87,572	\$ 82,103

NOTE 12 – Beneficial Interest in Trust

For the years ended September 30, 2018 and 2017, the Community Foundation of Middle Tennessee (the Community Foundation) a not-for-profit organization, is in control of an endowment fund for the Organization. The endowment has been recorded as permanently restricted. The Community Foundation has ultimate authority and control over all property of the fund and the income derived therefrom. The endowment is considered a reciprocal transfer and is therefore recorded as an asset on the Foundation's Statements of Financial Position.

Since the Community Foundation has control over the fund and the earnings, the Organization has not established an investment policy for the fund nor have they established policies for expenditures from the fund. The Organization is not aware of any deficiencies in the fair value of assets in the fund as compared to the required amounts by the donors. The Organization recognizes contribution income when the Community Foundation makes a distribution to the Organization. The Organization recognizes investment earnings and fees in the Statements of Activities, as they are reported to the Organization by the Community Foundation.

The following is the balance and activity reported in the Foundation's financial statements for the years ended September 30:

	2018	2017
Balances - beginning of year	\$ 20,062	\$ 18,260
Changes in value of beneficial interests:		
Contributions	-	200
Investment income	1,569	2,689
Withdrawals	(1,000)	(900)
Administrative expenses	(100)	(187)
	469	1,802
Balance - end of year	\$ 20,531	\$ 20,062

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE 13 – Endowment Funds

The endowment (Community Foundation, see Note 12) consists of one individual fund, one donor-restricted fund and no funds designated by the Board of Directors to function as endowments. The endowment funds are based on the spending policies described below which follow the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act (SUPMIFA).

Financial accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA. Financial accounting standards also require additional disclosures about the endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the Organization is subject to UPMIFA.

Interpretation of applicable law – The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE 13 – Endowment Funds (continued)

Endowment and Other Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of September 30, 2018 and 2017.

A schedule of endowment net asset composition by type of fund as of September 30, 2018, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Lucy B. Finch Conservation Endowment	\$ 2,750	\$ -	\$ 35,041	\$ 37,791
Community Foundation of Middle Tennessee	-	-	20,531	20,531
	<u>\$ 2,750</u>	<u>\$ -</u>	<u>\$ 55,572</u>	<u>\$ 58,322</u>

A schedule of endowment net asset composition by type of fund as of September 30, 2017, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Lucy B. Finch Conservation Endowment	\$ 1,395	\$ -	\$ 30,041	\$ 31,436
Community Foundation of Middle Tennessee	-	-	20,062	20,062
	<u>\$ 1,395</u>	<u>\$ -</u>	<u>\$ 50,103</u>	<u>\$ 51,498</u>

NOTE 14 – Changes in Endowment Fund Net Assets

The following is a schedule of changes in endowment net assets for the year ended September 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, October 1, 2017	\$ 1,395	\$ -	\$ 50,103	\$ 51,498
Contributions	-	-	5,000	5,000
Investment income	1,355	-	469	1,824
Endowment net assets, September 30, 2018	<u>\$ 2,750</u>	<u>\$ -</u>	<u>\$ 55,572</u>	<u>\$ 58,322</u>

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE 14 – Changes in Endowment Fund Net Assets (continued)

The following is a schedule of changes in endowment net assets for the year ended September 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, October 1, 2016	\$ 1,237	\$ -	\$ 48,301	\$ 49,538
Contributions	-	-	200	200
Investment income	<u>158</u>	<u>-</u>	<u>1,602</u>	<u>1,760</u>
Endowment net assets, September 30, 2017	<u>\$ 1,395</u>	<u>\$ -</u>	<u>\$ 50,103</u>	<u>\$ 51,498</u>

NOTE 15 – Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentration of credit risk consist of cash and cash equivalents, and unconditional promises to give. Unconditional promises to give represent concentrations of credit risk to the extent they are receivable from concentrated sources.

One donor represents 59% and 85% of total unconditional promises to give as of September 30, 2018 and 2017, respectively.

One donor contributed 81% and 52% of total revenue for the years ended September 30, 2018 and 2017, respectively.

The Foundation maintains cash in bank accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and does not believe this exposes them to any significant credit risk related to cash. As of September 30, 2018, the Foundation had cash of approximately \$1,722,000 in excess of federally insured limits.

NOTE 16 – Collections

The Foundation receives donations of conservation easements. A qualified conservation easement is a restriction (that is granted in perpetuity) on the use of land granted to a charity exclusively for conservation purposes. The Foundation has not capitalized these conservation easements as they have determined they meet the definition of a collection in accordance with accounting principles generally accepted in the United States of America. Approximately 8,398.09 acres are currently protected with an appraised value at the date of donation of \$35,293,008. The Foundation has elected to not recognize conservation easements acquired through contributions.

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE 17 – Defined Contribution Plan

The Foundation has a defined contribution plan (“the Plan”) covering all employees with at least two years of service who are over twenty-one years of age. The Foundation makes contributions to the Plan each year equal to 3% of all the participant’s compensation received during the Plan year. Additionally, the Foundation contributes a 100% match of participant deferrals, not to exceed 2.5% of compensation received during the Plan year. For the years ended September 30, 2018 and 2017, contribution expense related to this plan was \$17,374 and \$13,473, respectively, which is included in Staffing Payroll on the Statements of Functional Expenses.

NOTE 18 – Emergency Land Fund

The Foundation has established an internal fund called the Emergency Land Fund in 2002. The money is used in this internal fund to provide working capital for time sensitive critical land and water conservation projects throughout Tennessee. The money borrowed from the internal fund must be repaid back to the fund by the Foundation. The Foundation had \$2,099,370 and \$740,191 designated by the board for this purpose as of September 30, 2018 and 2017, respectively. Current internal borrowings against the Emergency Land Fund were \$993,326 with \$1,106,044 remaining available as of September 30, 2018, and \$335,944 with \$404,247 remaining available for use by the Foundation as of September 30, 2017. Repayments to the internal fund are repaid through unrestricted contributions and fundraisers.

NOTE 19 – Solar Contract

In 2010, the Foundation entered into a lease and license agreement with Good Earth Energy, LLC (Good Earth) to lease space on a roof of a building the Foundation owns for one dollar a year for 12 years. Good Earth installed and will maintain a solar array on the roof of the building in order to benefit the environment, increase public awareness of the benefits of solar power, and distribute the power for eventual use by customers of the Tennessee Valley Authority (TVA). Under the terms of the license agreement the Foundation entered into an agreement with TVA to sell the energy to TVA. During the term of the lease, the Foundation must pay Good Earth the gross proceeds related to the energy produced by the solar array equipment. During the years ended September 30, 2018 and 2017, the solar array generated \$3,448 and \$2,855, respectively, which was paid to Good Earth Energy. At the conclusion of the agreement, Good Earth will convey title to the solar array equipment to the current property owner.

NOTE 20 – Related Party Transactions

From time to time, the Foundation enters into debt agreements with a committee member or other stakeholders (eg., conservation buyers) of the Foundation. During the year ended September 30, 2017, the organization paid a committee member \$11,000 related to a non-interest bearing note payable and \$1,269 was forgiven by the committee member.

NOTE 21 – Supplemental Cash Flow Disclosure

Interest paid during the years ended September 30, 2018 and 2017, respectively, was \$5,212 and \$44,704.

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE 22 – Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09, along with the subsequent amendments, supersedes most existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. In addition, ASU 2014-09 requires expanded quantitative and qualitative disclosures, including disclosure about the nature, amount, timing and uncertainty of revenue. ASU 2014-09 was deferred by one year by ASU 2015-14 and will become effective for annual reporting periods beginning after December 15, 2018. The Foundation will adopt the provisions of ASU 2014-09 in fiscal year 2020.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 affects all entities that hold financial assets or owe financial liabilities and primarily affects the account for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The standard is effective for non-public business entities for annual periods beginning after December 15, 2018. The Foundation is currently evaluating the effect that implementation of the new standard will have on its financial statements in subsequent years.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires recognition of rights and obligations arising from lease contracts, including existing and new arrangements, as assets and liabilities on the statement of financial position. ASU 2016-02 is effective for annual reporting period beginning after December 15, 2018. The Foundation will adopt the provisions of ASU 2016-02 in fiscal year 2020.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, which is intended to improve financial reporting relating to liquidity, financial performance and cash flows.

More specifically, the changes affect net asset classifications by reflecting two classifications of net assets, one “without donor-imposed restrictions” and one “with donor-imposed restrictions,” which differ from the traditional classifications of unrestricted, temporarily restricted, and permanently restricted. In addition, reporting of expenses by both natural and functional classification is required and investment returns must be reflected net of related investment expenses. The cash flow statement is also allowed to be restructured by using the direct method of reporting and there are further disclosures regarding an organization’s liquidity.

The new standard is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Foundation is currently evaluating the effect that implementation of the new standard will have on its financial statements in subsequent years. The Foundation will adopt the provisions of ASU 2016-14 in fiscal year 2019.

In August 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 will result in treatment of most federal grants as donor-restricted conditional contributions rather than exchange transactions and applies to all entities that make or receive contributions. The new standard also clarifies the criteria for evaluation whether contributions are unconditional or conditional. The Foundation will adopt the provisions of ASU 2018-08 in fiscal year 2020.

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

NOTE 23 – Restatement of Net Assets

The Foundation has restated its previously issued 2017 financial statements to conform to current year classification and presentation. The effect on the Foundation's previously issued 2017 financial statements is summarized as follows:

Statement of Financial Position as of September 30, 2017:

	<u>Previously Reported</u>	<u>Increase (Decrease)</u>	<u>Restated</u>
Current assets:			
Cash and cash equivalents	\$ 897,799	\$ (218,607)	\$ 679,192
Certificates of deposit	-	521,479	521,479
Total current assets	<u>897,799</u>	<u>302,872</u>	<u>1,200,671</u>
Other assets:			
Cash	302,872	(272,831)	30,041
Certificates of deposit	30,041	(30,041)	-
Total other assets	<u>\$ 332,913</u>	<u>\$ (302,872)</u>	<u>\$ 30,041</u>

Statement of Cash Flows for the year ended September 30, 2017:

	<u>Previously Reported</u>	<u>Increase (Decrease)</u>	<u>Restated</u>
Operating activities	\$ 1,153,005	\$ (264,449)	\$ 888,556
Investing activities	61,252	(226,989)	(165,737)
Financing activities	<u>(1,075,412)</u>	<u>-</u>	<u>(1,075,412)</u>
Net increase in cash and cash equivalents	138,845	(491,438)	(352,593)
Cash and cash equivalents - beginning of year	<u>1,061,826</u>	<u>-</u>	<u>1,061,826</u>
Cash and cash equivalents - end of year	<u>\$ 1,200,671</u>	<u>\$ (491,438)</u>	<u>\$ 709,233</u>

NOTE 24 – Subsequent Events

In October 2018, the Foundation purchased a new office building for \$1,633,000. Management has evaluated subsequent events through December 4, 2018, the date the financial statements were available to be issued.