

**TENNESSEE PARKS
AND GREENWAYS FOUNDATION**

FINANCIAL STATEMENTS

Year Ended December 31, 2011

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5-16
SUPPLEMENTAL INFORMATION	
Independent Auditors' Report on Additional Information	18
Schedule of Functional Expenses	19



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Tennessee Parks and Greenways Foundation
Nashville, Tennessee

We have audited the accompanying statement of financial position of Tennessee Parks and Greenways Foundation (a Tennessee nonprofit corporation) as of December 31, 2011, and the related statements of activities and cash flows 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.

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 Tennessee Parks and Greenways Foundation as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Grannis & Associates, P. C.

Murfreesboro, Tennessee
May 11, 2012

TENNESSEE PARKS AND GREENWAYS FOUNDATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2011

ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash	\$ 562,724	\$ 168,786	\$ 20,041	\$ 751,551
Unconditional promises to give	-	210,014	-	210,014
Deposits	525	-	-	525
Stock	551	-	-	551
Community foundation trusts	47,119	-	-	47,119
Furniture and equipment, net	6,922	-	-	6,922
Due (to) from unrestricted	(672,528)	672,528	-	-
Land	2,251,120	-	32,000	2,283,120
TOTAL ASSETS	\$ 2,196,433	\$ 1,051,328	\$ 52,041	\$ 3,299,802

LIABILITIES AND NET ASSETS

LIABILITIES

Notes payable	\$ 400,000	\$ -	\$ -	\$ 400,000
---------------	------------	------	------	------------

NET ASSETS

Unrestricted	1,796,433	-	-	1,796,433
Temporarily restricted	-	1,051,328	-	1,051,328
Permanently restricted	-	-	52,041	52,041

TOTAL NET ASSETS	1,796,433	1,051,328	52,041	2,899,802
-------------------------	------------------	------------------	---------------	------------------

TOTAL LIABILITIES AND NET ASSETS	\$ 2,196,433	\$ 1,051,328	\$ 52,041	\$ 3,299,802
---	---------------------	---------------------	------------------	---------------------

See Notes to Financial Statements

TENNESSEE PARKS AND GREENWAYS FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>SUPPORT AND REVENUES</u>				
Contributions	\$ 669,213	\$ 295,043	\$ -	\$ 964,256
Realized losses on investments	(617)	-	-	(617)
Interest income	8,042	400	-	8,442
Solar array income	4,046	-	-	4,046
Loss on disposal of assets	(78,364)	-	-	(78,364)
	<u>602,320</u>	<u>295,443</u>	<u>-</u>	<u>897,763</u>
 Net assets released from donor restrictions	<u>410,584</u>	<u>(410,584)</u>	<u>-</u>	<u>-</u>
 Total Support and Revenues	<u>1,012,904</u>	<u>(115,141)</u>	<u>-</u>	<u>897,763</u>
 <u>FUNCTIONAL EXPENSES</u>				
Program services	401,746	-	-	401,746
Management and general	<u>89,798</u>	<u>-</u>	<u>-</u>	<u>89,798</u>
 Total Functional Expenses	<u>491,544</u>	<u>-</u>	<u>-</u>	<u>491,544</u>
 <u>CHANGE IN NET ASSETS</u>	<u>521,360</u>	<u>(115,141)</u>	<u>-</u>	<u>406,219</u>
 <u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>1,275,073</u>	<u>1,166,469</u>	<u>52,041</u>	<u>2,493,583</u>
 <u>NET ASSETS AT END OF YEAR</u>	<u>\$ 1,796,433</u>	<u>\$ 1,051,328</u>	<u>\$ 52,041</u>	<u>\$2,899,802</u>

See Notes to Financial Statements

TENNESSEE PARKS AND GREENWAYS FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended December 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 406,219
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	4,108
Contribution of land	(426,533)
Realized (gains) losses on investments	617
(Gain) loss on sale of assets	78,364
Decrease in promises to give	48,639
Decrease in beneficial interest in perpetual trusts	771
Decrease in accrued payroll	(4,000)
Net Cash Provided By Operating Activities	<u>108,185</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of land and improvements	(802,655)
Proceeds from sale of assets	<u>181,041</u>
Net Cash Used In Investing Activities	<u>(621,614)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS	(513,429)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,264,980</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 751,551</u>

See Notes to Financial Statements

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Tennessee Parks and Greenways Foundation (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity.

Nature of organization

The Organization is a Tennessee nonprofit 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. Its purpose is to protect Tennessee's natural treasures. The Organization is supported primarily by contributions.

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Certificates of deposit totaling \$530,923 are included in cash in the accompanying financial statements. The certificates bear interest ranging from 1.00% to 2.00% and have maturities ranging from six to twenty-four months. Any penalties for early withdrawal would not have a material effect on the financial statements.

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

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

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise.

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

Costs are allocated between management and general or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Unemployment Compensation

The Organization chose to be self-insured for unemployment compensation purposes. Any unemployment claims filed will be required to be paid by the Organization.

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

The Organization qualifies as a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the Organization qualifies for the charitable contribution deduction and has been classified by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Advertising

The Organization follows the policy of charging the costs of advertising to expense as incurred.

Property assets and depreciation

Property assets are those assets used in the operations of the Organization. They are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Equipment is depreciated over a range of 5 - 10 years. Maintenance and repair costs are charged to expense as incurred.

Depreciation is recorded using the straight-line method at various rates calculated to allocate the cost of the respective items over their estimated useful lives. Depreciation for the year ended December 31, 2011 was \$4,108.

NOTE B - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in various financial institutions and brokerage accounts. Some account balances at the financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. Deposits at FDIC-insured institutions are now insured up to at least \$250,000 per depositor through December 31, 2013. At December 31, 2011, the Organization's uninsured cash balances total \$955.

NOTE C - RESTRICTIONS ON NET ASSETS

Unrestricted net assets at December 31, 2011 consist of:

Unrestricted - Undesignated	\$ 1,337,113
Board Designated - Ancient Sites Fund	200,000
Board Designated - Operating Reserve	119,320
Board Designated - Emergency Land Bank	65,000
Board Designated - Easement Stewardships	65,000
	<u>\$ 1,786,433</u>

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

NOTE C - RESTRICTIONS ON NET ASSETS (continued)

Temporarily restricted net assets at December 31, 2011 are available for the following purposes:

Emergency Land Bank	\$ 395,483
Land Protection / Appolo Fuels	84,505
Ancient Sites	1,000
Cummins Falls	111,265
Devil's Race Track / National Coal Settlement	40,000
Easement Stewardships	98,150
Grants	239,955
Lucy Finch Endowment	400
Other	80,570
	<u>\$ 1,051,328</u>

Temporarily restricted assets released from restrictions for the year ended at December 31, 2011:

Cumming Falls	\$ 404,609
State Parks Collection	5,000
Other	975
	<u>\$ 410,584</u>

Permanently restricted net assets consist of the following at December 31, 2011:

Land	\$ 32,000
Lucy B Finch Conservation Endowment	20,041
	<u>\$ 52,041</u>

NOTE D - PROMISES TO GIVE

Unconditional promises to give at December 31, 2011, are as follows:

Cummins Falls	\$ 123,549
Easement Endowment	7,500
USDA Grant	8,965
Mississippi River	33,000
Other	37,000
	<u>\$ 210,014</u>
Receivable in less than one year	\$ 193,404
Receivable in one to five years	16,610
	210,014
Less allowance for uncollectible promises to give	-
Net unconditional promises to give	<u>\$ 210,014</u>

The Organization also has a conditional promise to give \$435,000 for the Cummins Falls acquisition depending on funds availability from a grant.

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

NOTE E - FURNITURE AND EQUIPMENT AND ACCUMULATED DEPRECIATION

Depreciable assets:

Equipment	\$ 23,909
Less accumulated depreciation	<u>16,987</u>
	<u>\$ 6,922</u>

NOTE F - CONSERVATION EASEMENTS

The Organization is involved in receiving donations of conservation easements. A qualified conservation easement is a restriction (that is granted in perpetuity) on the use of land granted to a qualified charitable donee exclusively for conservation purposes. These financial statements do not reflect their value, but approximately 3,598.97 acres are currently protected with an appraised value at the date of donation of \$9,829,408.

NOTE G - LEASE

In October 2011, the Organization renewed its lease agreement for office space for six months. Monthly rent is currently \$700 a month. Rent expense under the operating lease was \$8,400 for the year ended December 31, 2011. Future minimum rent for 2012 is \$2,100.

NOTE H - DEFINED CONTRIBUTION PLAN

The Organization has a defined contribution plan (the Plan) covering all employees with at least three years of service. The Organization makes a contribution to the Plan each year equal to 6% of all the participant's compensation. Total expense for the year ended December 31, 2011 was \$10,974.

NOTE I - EMERGENCY LAND BANK

The Organization established an internal fund called the Emergency Land Bank in 2002. The Organization uses monies from the Emergency Land Bank to provide working capital for time sensitive critical land and water projects throughout Tennessee. The money borrowed from the fund must be repaid with interest, usually within twelve months. The Organization has a total of \$661,483 set-aside or restricted for this use. Current borrowings against the Emergency Land Bank total \$499,829 leaving \$161,654 available for use as of December 31, 2011.

The Organization also received permission to borrow \$276,045 from the McKnight Grant to purchase Randolph Bluff.

	Unrestricted	Temporarily Restricted	Total
Emergency Land Bank	\$ 103,346	\$ 396,483	\$ 499,829
McKnight Grant	<u>-</u>	<u>276,045</u>	<u>276,045</u>
Total amount of borrowings	<u>\$ 103,346</u>	<u>\$ 672,528</u>	<u>\$ 775,874</u>

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

NOTE J - NOTES PAYABLE

At December 31, 2011, notes payable consists of the following:

Interest free loan agreement to an individual for the option to purchase Cummins Falls, the principal balance is due on June 16, 2013. If the Organization sells any or part of the property before the maturity date the balance is due immediately.	\$ 200,000
---	------------

Interest free loan agreement to an individual for the option to purchase Cummins Falls, the principal balance is due on June 16, 2012. If the Organization sells any or part of the property before the maturity date the balance is due immediately.	200,000
	<u>\$ 400,000</u>

Maturities on notes payable are as follows:

<u>Years Ending December 31,</u>	
2012	\$ 200,000
2013	200,000
	<u>\$ 400,000</u>

NOTE K - LAND

Land consists of the following at December 31, 2011:

18.25 Acres Cheatham County - Eage Pass Trail	\$ 36,500
32.00 Acres Cumberland County - Braun	32,000
19.34 Acres Davidson County - Hill's Island	40,000
58.26 Acres Fentress County - White Oak Creek	265,000
18.90 Acres Tipton County - Randolph Bluff	280,432
162.37 Acres Jackson County - Blackburn Fork	430,000
186.6 Acres Jackson County - Cummins Mill Road	1,049,031
24.7 Acres Jackson County - Cummins Tract 1, 2, & 3	150,157
	<u>\$ 2,283,120</u>

NOTE L - LOSS ON SALE OF ASSETS

Loss on sale of assets consists of the following at December 31, 2011:

Vehicle	\$ 110
Sonder Tract	(16,131)
Renovar Road	(62,343)
	<u>\$ (78,364)</u>

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

NOTE M - FAIR VALUE MEASUREMENTS

Equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statement of activities. Investments in stocks and bonds, which are listed on national securities exchanges, quoted on NASDAQ or on the over-the-counter market are valued at the last reported sales price, or in the absence of a recorded sale, at the value between the most recent bid and asked prices. Investments without readily determinable fair values are carried at estimated fair value. Gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulations.

The Organization shows a hierarchal disclosure framework which prioritizes and ranks the level of market prices observability used in measuring fair value.

This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level I - Quoted market prices are available in active market for identical assets or liabilities as of the reporting date.

Level II - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level II input could result in the Level II measurement becoming a Level III measurement.

Level III - Pricing inputs are unobservable and shall be used to measure fair value to the extent that observable inputs are not available. The inputs into the determination of fair value are based upon the best information available and require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Stock

The following is the fair value measurement of stock measured on a recurring basis at December 31, 2011 :

<u>December 31, 2011</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level I)</u>
Stock	<u>\$ 551</u>	<u>\$ 551</u>

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

NOTE M - FAIR VALUE MEASUREMENTS (continued)

Investments have been allocated to the net asset classification for presentation in the statements of financial position. Investments consist of the following as of December 31, 2011:

	Fair Value
Unrestricted	\$ 551
Temporarily Restricted	-
Permanently Restricted	-
	<u>\$ 551</u>

Beneficial Interest in a Trust

The Organization is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the Organization. The Organization has legally enforceable rights and claims to such assets, including the sole right to income therefrom. Net realized and unrealized gains (losses) related to the beneficial interests are reported as changes in unrestricted net assets.

Fair values of assets measured on a recurring basis at December 31, 2011 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level I)
<u>December 31, 2011</u>		
Community Foundation of Greater Memphis	\$ 30,180	\$ 30,180
Community Foundation of Middle Tennessee	16,939	16,939
	<u>47,119</u>	<u>47,119</u>

Investment income is composed of the following:

Realized and unrealized losses on marketable securities	\$ (617)
Dividends and interest income	8,442
	<u>\$ 7,825</u>

NOTE N - ENDOWMENT

The Organization's endowment consists of approximately one individual fund, including one donor-restricted fund and no funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowments funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based upon the existence or absence of donor imposed restrictions.

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

NOTE N - ENDOWMENT (continued)

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Tennessee, as requiring the preservation of the fair value of the original gift 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 Organization classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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 net accumulated appreciation 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 described in UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources available to the Organization
- (7) The investment policies of the Organization

The Organization's endowments by net asset class at December 31, 2011, in total and by type of endowment fund, showing donor-restricted endowment funds separately from board designated endowment funds are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted general endowment funds	\$ -	\$ 400	\$ 20,041	\$ 20,441
Board designated general endowment funds	-	-	-	-
Total funds	<u>\$ -</u>	<u>\$ 400</u>	<u>\$ 20,041</u>	<u>\$ 20,441</u>

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

NOTE N - ENDOWMENT (continued)

Changes in endowment assets for the year ended December 31, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, December 31, 2010	\$ -	\$ -	\$ 20,041	\$ 20,041
Net asset reclassification	-	-	-	-
Endowment net assets after reclassification	-	-	20,041	20,041
Investment income (loss) (during year)	-	400	-	400
Net appreciation (depreciation) (realized and unrealized)	-	-	-	-
Contributions during the year	-	-	-	-
Appropriation of endowment assets for expenditure	-	-	-	-
Transfers to remove board-designated endowment funds	-	-	-	-
Endowment assets, December 31, 2011	<u>\$ -</u>	<u>\$ 400</u>	<u>\$ 20,041</u>	<u>\$ 20,441</u>

Permanently Restricted Net Assets

	2011
(1) The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation	<u>\$ 20,041</u>

Total endowment funds classified as permanently
restricted net assets

\$ 20,041

Temporarily Restricted Net Assets

(1) Term endowment funds	\$ 400
(2) The portion of perpetual endowment funds subject to a time restriction:	
Without purpose restrictions	-
With purpose restrictions	-

Total endowment funds classified as temporarily
restricted net assets

\$ 400

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 Organization to retain as a fund of perpetual duration. There were no such deficiencies at December 31, 2011.

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

NOTE N - ENDOWMENT (continued)

Endowment - Return Objectives and Risk Parameters

The Organization 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 the Organization must hold 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 Organization expects its endowment funds, over time, to provide an average rate of return of approximately 2 percent annually. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through current yield (interest). The Organization targets cash-based investments to achieve its long-term corpus protection objectives.

Endowment Spending Policy - Conservation Endowment

The Organization has a policy of appropriating for annual distribution a maximum of 1.5 percent of its general endowment fund's average fair value over the preceding 12 quarters. Accordingly, over the long-term, the Organization expects the current spending policy to allow its general endowment to grow at least 1% annually. In establishing this policy, the Organization considered the long-term expected return on its general endowment. This is consistent with the Organization's 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.

No spending occurred under the Organization's spending policy on the conservation endowment for the year ended December 31, 2011.

NOTE O - REAL ESTATE OPTION AGREEMENT

On June 16, 2010 the Organization entered into and paid \$400,000 for an option to purchase Cummins Falls. The option was exercised on September 8, 2011 with the purchase of \$1,034,000. To maintain the contract the Organization paid \$1,585 monthly, which totaled \$12,680 for the year ended December 31, 2011.

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2011

NOTE P - SOLAR CONTRACT

In 2010, the Organization entered into a lease and license agreement with Good Earth Energy, LLC (Good Earth) to lease space on a roof of a building owned by the Organization 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 terms of the license agreement the Organization entered into an agreement with the TVA to sell the energy to TVA. During the term of the lease the Organization must pay Good Earth the gross proceeds related to the energy produced by the solar array equipment. During 2011 the solar array generated \$4,046 in electricity 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 Q - SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 11, 2012, which is the date the financial statements were available to be issued. On February 21, 2012, the Organization sold property described as Cummins Mill Road / Blackman Ford Road located in Cookeville, TN to the state of Tennessee for \$1,043,785. Also, on March 28, 2012, the Organization entered into a contract to purchase a building at 117 30th Avenue South in Nashville, TN for \$280,000.

SUPPLEMENTAL INFORMATION



**INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION**

To the Board of Directors
Tennessee Parks and Greenways Foundation
Nashville, Tennessee

We have audited the financial statements of Tennessee Parks and Greenways Foundation as of and for the year ended December 31, 2011 and have issued our report thereon dated May 11, 2012, which contained an unqualified opinion on the financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Grannis & Associates, P.C.

Murfreesboro, Tennessee
May 11, 2012

TENNESSEE PARKS AND GREENWAYS FOUNDATION

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended December 31, 2011

	<u>Program Services</u>	<u>Management and General</u>
Accounting fee	\$ -	\$ 7,000
Annual report / newsletter	3,466	385
Board meeting expense	-	814
Commissions and fees	-	425
Computer expenses	6,590	985
Conferences and workshops	1,542	-
Copies and faxes	2,155	322
Cummins Fall acquisition	39,443	-
Cummins Falls option payments	12,680	-
Depreciation	2,876	1,232
Environment education service	475	-
Forever Green	474	-
Fundraising	-	14,645
Insurance	1,259	2,939
Insurance: health	24,409	4,307
Land protection	5,404	-
Licenses and fees	-	6,223
Memberships	2,834	-
Mississippi River	4,271	-
Office Supplies	5,625	840
Payroll taxes	13,912	5,962
Postage and shipping	7,260	382
Printing	4,090	611
Rent	7,308	1,092
Retirement contribution	9,328	1,646
Solar array expense	4,046	-
SPC	237	-
SPC Grants	4,750	-
Staffing	217,418	38,368
Telephone	5,677	299
Telephone: internet	764	40
Temporary staffing	992	52
Travel	5,874	309
Unemployment premium	4,632	817
Utilities	1,955	103
Total Functional Expenses	<u>\$ 401,746</u>	<u>\$ 89,798</u>