FRIENDS OF THE WARNER PARKS, INC.

FINANCIAL STATEMENTS
December 31, 2016

FRIENDS OF THE WARNER PARKS, INC.
Nashville, Tennessee

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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 statement of assets and net assets-modified cash basis as of December 31, 2016, and the related statement of activities-modified cash basis, functional expenses-modified cash basis, and statement of cash flows-modified cash basis for the year 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 the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 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 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 assets arising from the modified cash transactions of Friends of the Warner Parks, Inc. as of December 31, 2016, and its revenue collected and expenses paid and statement of cash flows during the year then ended in accordance with the modified cash basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Crowe Horwath LLP

Crowe Horwath LLP

Franklin, Tennessee
June 7, 2017

FRIENDS OF THE WARNER PARKS, INC.
STATEMENT OF ASSETS AND NET ASSETS (MODIFIED CASH BASIS)
December 31, 2016

ASSETS	
Cash and cash equivalents	$ 1,080,464
Land - cost (Note 4)	328,100
Building and automobile, net (Note 4)	331,732
Net property & equipment	659,832
Assets restricted for land acquisitions and capital improvements:	
Cash	1,229,077
Beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee (Note 3)	82,293
Total assets	$ 3,051,666
NET ASSETS	
Net assets	
Designated for investment in property	684,576
Designated for beneficial interest in agency endowment fund (Note 3)	82,293
Undesignated	969,802
Total unrestricted	1,736,671
Temporarily restricted (Note 5)	1,314,995
Total net assets	$ 3,051,666

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)

Year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Support and revenues			
Public support:			
Fundraising events and contributions	$ 555,528	$ 216,746	$ 772,274
Membership dues	241,591	-	241,591
Revenues:			
Investment income	-	7,013	7,013
Rental income	16,500	-	16,500
Other income (expense)	39,366	-	39,366
Change in value of beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee (Note 3)	(299)	-	(299)
Net assets released from restriction:			
Satisfaction of time and purpose restrictions	614,944	(614,944)	-
	1,467,630	(391,185)	1,076,445
Expenses			
Program services	812,137	-	812,137
Supporting services:			
Management and general	64,811	-	64,811
Fundraising	96,564	-	96,564
Total expenses	973,512	-	973,512
Change in net assets	494,118	(391,185)	102,933
Net assets, beginning of year	1,242,553	1,706,180	2,948,733
Net assets, end of year	$ 1,736,671	$ 1,314,995	$ 3,051,666

See accompanying notes to financial statements.

Cash flows from operating activities	
Change in net assets	$ 102,933
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation of fixed assets	9,140
Change in value of beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee	(4,101)
Net change in cash from operating activities	107,972
Cash flows from investing activities	
Contributions received for restricted activities	285,534
Additions to property	(294,000)
Distribution from agency endowment fund	4,400
Net change in cash from investing activities	(4,066)
Net change in cash and cash equivalents	103,906
Cash and cash equivalents - beginning of year	976,558
Cash and cash equivalents - end of year	$ 1,080,464

See accompanying notes to financial statements.

FRIENDS OF THE WARNER PARKS, INC.
STATEMENT OF FUNCTIONAL EXPENSES (MODIFIED CASH BASIS)
For the Year ended December 31, 2016

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Employee compensation expenses:					
Contracted salaries and related payroll expenses (Note 6)	$ 35,285	$ -	$ -	$ -	$ 35,285
Salaries	137,450	24,000	77,347	101,347	238,797
Payroll taxes	9,185	1,900	4,752	6,652	15,837
Employee benefits	7,232	1,496	3,740	5,236	12,468
Total employee compensation expenses	189,152	27,396	85,839	113,235	302,387
Park construction and restoration projects	315,944	-	-	-	315,944
Education	19,923	-	-	-	19,923
Promotion	218,240	-	-	-	218,240
Printing, postage, and publication	3,293	-	-	-	3,293
Insurance and office expense	10,093	10,725	10,725	21,450	31,543
Professional services	41,747	26,690	-	26,690	68,437
Nature Center	13,745	-	-	-	13,745
Total	$ 812,137	$ 64,811	$ 96,564	$ 161,375	$ 973,512

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

Basis of Accounting: The Organization prepares its accounting records and financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The policy recognizes certain revenue when received rather than when earned, and certain expenses and asset purchases when paid rather than when obligations are incurred.

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, 2016.

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.

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 3).

Valuation of Investments: Investments consist of a beneficial interest in an agency endowment fund and are carried at their estimated fair value. The changes in unrealized gains and losses are recognized in the statement of activities for the year.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 some 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).

Property and Equipment: Property and equipment 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:

Building	39 years
Automobile	3 years

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.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Donated Services: In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. Since these amounts are not cash transactions they are not included in the statement of activities (modified cash basis). For the Year ended December 31, 2016 in-kind contributions totaled $22,960.

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.

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.

Allocation of Functional Expenses: Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity benefited based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Use of Estimates: The preparation of financial statements 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.

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NOTE 3 - 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.

The following tables present investments measured at fair value:

	Fair Value Measurements at December 31, 2016 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	$ -	$ -	$ 82,293	$ 82,293

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
Balance of recurring level 3 investments at January 1:	$ 82,592
Total gains or losses included in change in net assets:	
Realized appreciation	2,256
Unrealized appreciation (depreciation) relating to assets held at year end	1,071
Net appreciation (depreciation) in fair value of investments	3,327
Interest income	1,203
Contributions to the fund	-
Grants and administrative fees	(4,829)
Balance of recurring Level 3 investments at December 31	$ 82,293

(Continued)

NOTE 4 - PROPERTY AND EQUIPMENT

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

Land	$ 328,100
Building	356,476
Automobile	9,965
	694,541
Less: accumulated depreciation on automobile and building	34,709
	$ 659,832

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Changes in temporarily restricted net assets for the year ended December 31, 2016 were as follows:

	Temporarily Restricted Net Assets - Balance, as of January 1, 2016	Contributions	Release of Restrictions	Investment Income	Temporarily Restricted Net Assets - Balance, as of December 31, 2016
Tree Trust	$ -	$ 89	$ (89)	$ -	$ -
PEN Pals Camp	-	10,414	(10,414)	-	-
Capital Campaign	1,363,583	-	(299,000)	7,013	1,071,596
Memorials	12,494	30,980	(8,942)	-	34,532
Resource Management	131,041	65,711	(165,736)	-	31,016
Allee	16,187	-	-	-	16,187
SWEAT	-	29,871	(29,871)	-	-
Exhibits	150,799	10,000	(56,000)	-	104,799
Other grants and gifts	32,076	69,681	(44,892)	-	56,865
	$ 1,706,180	$ 216,746	$ (614,944)	$ 7,013	$ 1,314,995

NOTE 6 - 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.

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NOTE 7 - CONCENTRATION OF CREDIT RISK

The Organization's largest fundraiser's shown below accounted for 78% of the unrestricted fundraising and contributions in the years ended December 31, 2016.

Fundraising:Sunday In The Park	$ 275,622
Fundraising:Full Moon Concert	157,744
	$ 433,366

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, 2016, cash balances per the bank exceeded the FDIC insurance limits by approximately $1,831,000.

NOTE 8 - LEASE INCOME

The Organization leases a building located on the Land included in Note 4. The lease provides for monthly rent payments of $1,500 through July 31, 2020. The lease has one extension option to extend the lease term for an additional five years.

Approximate future minimum rental income from the noncancellable lease as of December 31, 2016 are as follows:

2017	$ 18,000
2018	18,000
2019	18,000
2020	10,500
	$ 64,500

NOTE 9 - SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to December 31, 2016 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2016. Management has performed their analysis through June 7, 2017, which was the date the financial statements were available to be issued.

Subsequent to year end the Organization entered into an agreement to purchase 4.6 acres of land for $300,000. The agreement was finalized on March 31, 2017.