

THE LAND TRUST FOR TENNESSEE, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

MARCH 31, 2011 AND 2010

THE LAND TRUST FOR TENNESSEE, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Land Trust for Tennessee, Inc.
Nashville, Tennessee

We have audited the accompanying statements of financial position of The Land Trust for Tennessee, Inc. as of March 31, 2011 and 2010, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of The Land Trust for Tennessee, Inc.'s management. 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 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 audits provide 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 The Land Trust for Tennessee, Inc. as of March 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KraftCPAs PLLC

Nashville, Tennessee
October 19, 2011

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash and cash equivalents:		
Operating funds without restriction	\$ 1,676,984	\$ 352,048
Operating funds with donor restriction	1,743,725	1,350,556
Contributions receivable	170,099	182,976
Bequest receivable	1,950,000	-
Accounts receivable	47,742	320,533
Prepaid expenses and other	12,118	13,025
Furniture and equipment, net	32,977	50,088
Real estate:		
Glen Leven estate property	3,700,000	3,700,000
Protected land	2,014,471	2,014,471
Property bequest receivable	210,000	612,500
Land held for sale	402,500	-
Funds held on behalf of others	<u>1,520</u>	<u>10,508</u>
TOTAL ASSETS	<u>\$ 11,962,136</u>	<u>\$ 8,606,705</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 27,017	\$ 71,461
Accrued expenses	21,790	16,625
Funds held on behalf of others	<u>1,520</u>	<u>10,508</u>
TOTAL LIABILITIES	<u>50,327</u>	<u>98,594</u>
<u>NET ASSETS</u>		
Unrestricted:		
Designated for protected land	2,014,471	2,014,471
Board designations	1,308,000	-
Undesignated	<u>2,756,349</u>	<u>1,050,108</u>
Total unrestricted	6,078,820	3,064,579
Temporarily restricted	<u>5,832,989</u>	<u>5,443,532</u>
TOTAL NET ASSETS	<u>11,911,809</u>	<u>8,508,111</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,962,136</u>	<u>\$ 8,606,705</u>

The accompanying notes are an integral part of the financial statements.

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED MARCH 31, 2011 AND 2010

	2011		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Contributions, public support and other:			
Individuals, foundations and other	\$ 314,478	\$ 674,309	\$ 988,787
Bequests:			
Real estate property	-	-	-
Other	3,150,000	-	3,150,000
Easement and land acquisition assistance	-	1,201,355	1,201,355
Transaction assistance	129,739	-	129,739
Grants for easement transaction assistance	-	36,000	36,000
Stewardship contributions	-	126,330	126,330
Donated goods and services	105,496	-	105,496
Special events	274,799	-	274,799
Less: direct benefits to donors	(94,315)	-	(94,315)
Other	7,400	-	7,400
Interest income	-	20,686	20,686
Net assets released from restrictions	<u>1,669,223</u>	<u>(1,669,223)</u>	<u>-</u>
 TOTAL REVENUES AND SUPPORT	 <u>5,556,820</u>	 <u>389,457</u>	 <u>5,946,277</u>
 EXPENSES			
Program services	2,237,372	-	2,237,372
Supporting services:			
Administration	71,397	-	71,397
Fundraising	<u>233,810</u>	<u>-</u>	<u>233,810</u>
 TOTAL EXPENSES	 <u>2,542,579</u>	 <u>-</u>	 <u>2,542,579</u>
 CHANGE IN NET ASSETS	 3,014,241	 389,457	 3,403,698
 NET ASSETS - BEGINNING OF YEAR	 <u>3,064,579</u>	 <u>5,443,532</u>	 <u>8,508,111</u>
 NET ASSETS - END OF YEAR	 <u>\$ 6,078,820</u>	 <u>\$ 5,832,989</u>	 <u>\$ 11,911,809</u>

The accompanying notes are an integral part of the financial statements.

2010		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 352,660	\$ 571,973	\$ 924,633
402,500	-	402,500
-	-	-
-	-	-
363,420	-	363,420
-	30,000	30,000
-	164,370	164,370
102,002	-	102,002
298,224	-	298,224
(110,826)	-	(110,826)
10,000	-	10,000
-	5,628	5,628
<u>530,921</u>	<u>(530,921)</u>	<u>-</u>
<u>1,948,901</u>	<u>241,050</u>	<u>2,189,951</u>
1,213,026	-	1,213,026
108,260	-	108,260
<u>258,926</u>	<u>-</u>	<u>258,926</u>
<u>1,580,212</u>	<u>-</u>	<u>1,580,212</u>
368,689	241,050	609,739
<u>2,695,890</u>	<u>5,202,482</u>	<u>7,898,372</u>
<u>\$ 3,064,579</u>	<u>\$ 5,443,532</u>	<u>\$ 8,508,111</u>

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 3,403,698	\$ 609,739
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated computer software and equipment	-	(14,513)
Depreciation	19,116	15,072
(Increase) decrease in:		
Contributions receivable	12,877	(17,058)
Accounts receivable	272,791	(225,468)
Prepaid expenses and other	907	2,671
Bequest receivable	(1,950,000)	-
Property bequest receivable	-	(402,500)
Increase (decrease) in:		
Accounts payable and accrued expenses	(39,279)	59,695
TOTAL ADJUSTMENTS	(1,683,588)	(582,101)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,720,110	27,638
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of furniture and equipment	(2,005)	(11,154)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,718,105	16,484
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,702,604	1,686,120
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,420,709	\$ 1,702,604
Non-cash investing activity:		
Land received from property bequest receivable	\$ 402,500	\$ -

The accompanying notes are an integral part of the financial statements.

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED MARCH 31, 2011 AND 2010

	2011				
	Program Services	Supporting Services			Total
		Administration	Fundraising	Total	
Salaries and related benefits	\$ 638,259	\$ 46,591	\$ 109,612	\$ 156,203	\$ 794,462
Computer expense	14,233	1,296	1,534	2,830	17,063
Depreciation	12,891	2,438	3,787	6,225	19,116
Development/fundraising	7,800	-	3,968	3,968	11,768
Dues and subscriptions	3,585	244	288	532	4,117
Easement and land acquisition assistance	1,029,302	-	-	-	1,029,302
Easement preparation	8,916	-	-	-	8,916
Education and outreach	33,149	1,860	2,267	4,127	37,276
Events:					
Related costs	-	-	131,759	131,759	131,759
Donated goods and services	-	-	52,188	52,188	52,188
Glen Leven estate property operating costs:					
Donated	11,470	-	-	-	11,470
Other	38,952	-	-	-	38,952
Office expenses	17,475	2,338	2,986	5,324	22,799
Insurance	9,319	1,872	2,216	4,088	13,407
Occupancy	60,070	7,258	8,593	15,851	75,921
Printing and publication	499	-	-	-	499
Professional services:					
Donated	32,738	-	-	-	32,738
Other	81,872	5,414	6,410	11,824	93,696
Stewardship	15,178	-	-	-	15,178
Taxes, licenses and fees	1,623	242	286	528	2,151
Telephone	16,427	1,844	2,231	4,075	20,502
Transaction assistance	203,614	-	-	-	203,614
TOTAL EXPENSES	2,237,372	71,397	328,125	399,522	2,636,894
Less expenses included with revenues on the statement of activities - direct benefits to donors	-	-	(94,315)	(94,315)	(94,315)
TOTAL EXPENSES INCLUDED IN EXPENSES SECTION OF STATEMENT OF ACTIVITIES	\$ 2,237,372	\$ 71,397	\$ 233,810	\$ 305,207	\$ 2,542,579

The accompanying notes are an integral part of the financial statements.

2010

Program Services	Supporting Services		Total	Total
	Administration	Fundraising		
\$ 478,606	\$ 90,232	\$ 111,321	\$ 201,553	\$ 680,159
12,992	1,456	2,525	3,981	16,973
10,164	1,922	2,986	4,908	15,072
-	-	14,091	14,091	14,091
2,689	54	83	137	2,826
-	-	-	-	-
9,944	-	-	-	9,944
27,175	957	2,019	2,976	30,151
-	-	170,249	170,249	170,249
-	-	44,693	44,693	44,693
-	-	-	-	-
91,068	-	-	-	91,068
16,519	2,154	3,929	6,083	22,602
6,458	1,222	1,897	3,119	9,577
43,806	5,041	7,831	12,872	56,678
1,824	-	-	-	1,824
32,296	-	-	-	32,296
85,765	3,731	5,795	9,526	95,291
7,460	-	-	-	7,460
1,065	135	210	345	1,410
14,680	1,356	2,123	3,479	18,159
370,515	-	-	-	370,515
1,213,026	108,260	369,752	478,012	1,691,038
-	-	(110,826)	(110,826)	(110,826)
<u>\$ 1,213,026</u>	<u>\$ 108,260</u>	<u>\$ 258,926</u>	<u>\$ 367,186</u>	<u>\$ 1,580,212</u>

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

NOTE 1 - GENERAL

The Land Trust for Tennessee, Inc. (the "Organization") is a Tennessee private not-for-profit organization, incorporated on January 15, 1999, whose mission is to promote and aid in the preservation of Tennessee's natural landscapes and to protect land with recreational, scenic, ecological, and historical significance for future generations. This is accomplished either by donation, purchase, or interests of land and by obtaining conservation easements on land. The Organization partners with a variety of individuals and entities and works with local communities and a network of volunteers to educate the public concerning Tennessee's natural and historical resources and landowners' options for preserving these resources. The Organization is funded primarily by contributions. As of March 31, 2011, the Organization has completed conservation transactions protecting 59,564 acres throughout Tennessee.

A conservation easement is a voluntary contract between a landowner and the Organization in which the owner places permanent restrictions on the future uses of some or all of the property to protect land with recreational, scenic, ecological and historical significance which includes wildlife and agricultural resources. The restrictions usually limit the number of future home sites and can limit other uses. The landowner retains ownership of the land, has the right to use it, sell it or leave it to heirs, and is responsible for its ongoing maintenance. The restrictions of the easement remain with the land forever. The Organization holds the conservation easement and accepts responsibility for monitoring compliance with the terms of the easement and for defending the easement should the terms be threatened or violated. The Organization refers to its ongoing responsibility as stewardship and enforcement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements present the financial position and changes in net assets of the Organization on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Resources are classified as unrestricted, temporarily restricted or permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.
- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.
- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. The Organization had no permanently restricted net assets as of March 31, 2011 and 2010.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits with financial institutions, bank certificates of deposit and money market funds that can be liquidated without significant penalty or restriction (including accrued interest).

Contributions and Support

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

Contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor 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 LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Support (Continued)

The Organization also receives grant money from the Tennessee Department of Agriculture. Grant revenue related to transaction assistance is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant. Grant revenue related to stewardship is considered a contribution and is recognized when the funds are received.

Contributions Receivable

Unconditional promises and bequests to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed at a risk-free interest rate applicable to the year in which the promise is received. Conditional promises to give are not included as support until such time as the conditions are substantially met.

An allowance for uncollectible amounts has not been provided on contributions receivable since, in management's opinion, the receivable amounts are fully collectible, based on past history.

Bequests

Bequests are recorded as bequests receivable and revenue at the estimated realizable value when the Organization is notified that it is the beneficiary of a testamentary bequest.

Property and Equipment

Property and equipment are reported at cost at the date of purchase or at estimated fair value at the date of the gift to the Organization. The Organization's policy is to capitalize purchases with a cost of \$750 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets ranging from three to seven years for furniture, fixtures and equipment and computers and software.

Board Designated Net Assets

During 2011, the Board of Directors established four Board designated funds: an Operating Reserve for use in emergencies to sustain financial operations, a Working Capital Fund to meet the ebbs and flows during the year, a Revolving Fund to assist with the acquisition of land over short periods of approximately 24-36 months, and the Ashby Fund to generate revenue and capital growth. Within this structure, funds are invested, used, managed and transferred as set out in policies created by the Board of Directors and in accordance with internal procedures.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Board Designated Net Assets (Continued)

Board designated funds consisted of the following at March 31, 2011:

Operating Reserve	\$ 375,000
Working Capital Fund	300,000
Revolving Fund	500,000
Ashby Fund	<u>133,000</u>
	<u>\$ 1,308,000</u>

In-kind Contributions

Donated materials are recorded as gifts in the period received at estimated fair value, if there is an objective and measurable basis for determining such value.

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

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services - consist of programs to promote and aid in the preservation of Tennessee's natural landscapes and to protect land with recreational, scenic, ecological and historical significance for future generations.

The Organization identifies land of strategic importance to the overall mission of the Organization. These projects offer unique land protection opportunities and are made up of some of Tennessee's most remarkable intact large landscapes, farmland, timber tracts, wildlife and flora habitats, historic landscapes, scenic viewsheds, pristine waterways and recreational opportunities. To support the Organization's strategic mission, restricted donations are received that allow the Organization to purchase and protect conservation easements, tracts in fee, obtain options and perform due diligence.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (Continued)

Administration - includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program or with fundraising. Includes costs associated with providing coordination and articulation of the Organization's program strategy, business management, general record keeping, budgeting and related purposes.

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution 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 based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in accordance with GAAP 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 and allocation of functional expenses during the reporting period. Actual results could differ from those amounts.

Income taxes

The Organization qualifies as a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

The Organization files a U.S. federal Form 990 for organizations exempt from income tax. The Organization's returns for years prior to fiscal year 2008 are closed.

Conservation Easements

Conservation easements held by the Organization are not recognized as assets in the accompanying financial statements. Assets are defined as probable future economic benefits obtained or controlled by an entity; the Organization does not believe that the easements meet the definition criteria. The cost of obtaining conservation easements is expensed when the easement is acquired.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications have been made in the 2010 financial statements to conform to the 2011 presentation. These reclassifications had no effect on the change in net assets previously reported.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between March 31, 2011 and October 19, 2011, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

At March 31, 2011, contributions receivable from two sources comprised 29% of total contributions receivable (60% of total contributions receivable from four sources in 2010). In addition, pledges totaling \$50,650 are due from 10 members of the Organization's board of directors as of March 31, 2011 (\$53,804 due from 19 members as of March 31, 2010).

Contributions receivable consisted of the following as of March 31:

	<u>2011</u>	<u>2010</u>
Due in less than one year	\$ 134,399	\$ 128,476
Due in one to five years	<u>35,700</u>	<u>54,500</u>
	<u>\$ 170,099</u>	<u>\$ 182,976</u>

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2011 AND 2010

NOTE 4 - BEQUESTS

In 2010, the Organization was informed that it was the beneficiary of a testamentary bequest of a 100 acre tract of land in Williamson County with an estimated fair value of \$402,500. The property was transferred to the Organization during fiscal year 2011. The bequest was recognized as a contribution in 2010.

In 2011, the Organization was informed that it was the beneficiary of a testamentary bequest of a liquidated estate. In 2011, an initial distribution of \$1,200,000 was made to the Organization. A final distribution estimated at \$1,950,000 is expected to be received and is recorded as a receivable at March 31, 2011. The total of this bequest was recognized as a contribution in 2011.

During 2008, pursuant to a testamentary bequest from an estate, the Organization was to receive 12 acres of unimproved land in Wilson County, Tennessee. The property title has not transferred to the Organization as of March 31, 2011 due to the continuance of the title clearing process. The Organization intends to obtain restrictions to ensure the appropriate conservation of this property. The property bequest receivable was recorded at \$210,000, the estimated fair value with the contemplated restrictions. Management and the Board are currently evaluating the future use of this land and anticipate the property will be sold.

NOTE 5 - FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following as of March 31:

	<u>2011</u>	<u>2010</u>
Furniture, fixtures and equipment	\$ 65,648	\$ 65,648
Computers and software	<u>56,449</u>	<u>54,444</u>
	122,097	120,092
Less: accumulated depreciation	<u>(89,120)</u>	<u>(70,004)</u>
Furniture and equipment, net	<u>\$ 32,977</u>	<u>\$ 50,088</u>

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2011 AND 2010

NOTE 6 - PROPERTY BEQUEATHED FROM GLEN LEVEN ESTATE

During 2007, the Organization received a testamentary bequest consisting of approximately 60 acres of land and a historic house with 5 acres known as the Glen Leven estate. The appraised fair values were \$1,500,000 and \$2,200,000, respectively, at the date of the bequest. The decedent's will placed significant restrictions on the use of this property or the proceeds in the event of its sale.

During 2010, the Organization received a grant from the City of Oak Hill in the amount of \$53,553 to fund a feasibility study of potential uses of the Glen Leven estate property. The costs of this study were recorded as consulting expenses and are considered direct costs of oversight of this property.

Direct costs, including donated services, incurred by the Organization related to this property, which are reported in program services, are as follows for the years ended March 31:

	<u>2011</u>	<u>2010</u>
Consulting	\$ -	\$ 53,553
Insurance	11,988	13,628
Repairs	3,618	1,544
Security	8,385	672
Taxes	823	1,539
Yard work	14,520	4,665
Utilities and other	3,965	3,577
Professional fees	5,065	11,890
Outreach	2,058	-
	<u>\$ 50,422</u>	<u>\$ 91,068</u>

On November 6, 2009, the Organization received an exemption from property taxes for the house tract, and the 2008 and 2009 property taxes previously paid in the amount of \$20,977 were refunded to the Organization. The refunded property taxes are included in contributions in 2010.

NOTE 7 - PROTECTED LAND

Protected land at March 31, 2011 and 2010 consists of one tract of land in Tennessee. The Moran Road tract was purchased by the Organization in a prior year for \$2,014,471, with funds that were donated for that purpose. The land is being held subject to significant deed restrictions consistent with the Organization's mission.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2011 AND 2010

NOTE 8 - DONOR-DESIGNATED ENDOWMENT FUNDS IN TRUST

A donor-designated endowment fund has been established with the Community Foundation of Middle Tennessee for the benefit of the Organization. The Community Foundation of Middle Tennessee has the ultimate authority and control over the fund and, therefore, these assets are not included in the financial statements of the Organization. Income distributed to the Organization is recognized by the Organization in the year received. There were no such distributions in 2011 or 2010. Total assets held in this fund approximated \$14,000 at March 31, 2011 (\$12,000 at March 31, 2010).

NOTE 9 - LEASES

During 2011, the Organization renegotiated its office facilities lease under a noncancelable operating lease, expiring October 31, 2014, that will increase its square footage. Monthly payments required under this lease range from \$3,553 to \$5,586. Rent expense on this lease is recognized on a straight-line basis. The excess rent expense recognized over the amount paid is included in accrued expenses. Additionally, the Organization leases two satellite offices. One of these offices is leased at \$400 a month with the lease expiring August 2011. The lease is continued on a month-to-month agreement. The second office is leased at \$555 a month with the lease expiring April 2012.

Future minimum lease payments required under all noncancelable operating leases, that have remaining terms in excess of one year, are as follows:

Year ending March 31,

2012	\$ 56,777
2013	65,636
2014	66,513
2015	<u>39,103</u>
	<u>\$ 228,029</u>

Rent expense totaled \$65,882 in 2011 (\$56,301 in 2010).

NOTE 10 - PENSION PLAN

The Organization sponsors a defined contribution employee benefit plan for eligible employees. At the discretion of the Board, the Organization contributes to the plan on behalf of all eligible employees based on their compensation. All employees are eligible to participate in the plan and to receive the employer discretionary match after two years of service. Total pension plan expense of the Organization amounted to \$16,869 in 2011 (\$10,390 in 2010).

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2011 AND 2010

NOTE 11 - CONCENTRATION OF CREDIT RISK

The Organization maintains deposit accounts at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. As of March 31, 2011, deposits at these institutions exceeded the statutory limits by approximately \$2,592,000.

For the year ended March 31, 2011, contributions from two sources amounted to \$3,750,000 or 65% of total contributions, public support and other revenues. For the year ended March 31, 2010, contributions from two sources amounted to \$736,146 or 37% of total contributions, public support and other revenues. One of the two sources in 2011 and 2010 was from a bequest.

NOTE 12 - DONATED GOODS AND SERVICES

The accompanying Statements of Activities include contributed services for legal, engineering, architectural and various other services. Donated goods include food and beverages used at fundraising events and certain equipment. In 2010, donated computer software was capitalized and is included in computers and software.

Total estimated fair value of goods and services donated to the Organization for the years ended March 31, is as follows:

	<u>2011</u>	<u>2010</u>
Computer software	\$ -	\$ 14,513
Check scanner	700	-
Events:		
Goods	43,359	15,993
Printing and publicity	8,829	28,700
Professional services:		
Public relations and branding	-	15,421
Designers and photographers	5,599	3,275
Legal	27,139	13,600
Glen Leven - yardwork and other	11,470	-
Occupancy	8,400	10,000
Fundraising	-	500
	<u>\$ 105,496</u>	<u>\$ 102,002</u>

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization; however, no values for such in-kind contributions have been included in the financial statements since there is no objective basis by which to measure the values.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2011 AND 2010

NOTE 13 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of March 31:

	<u>2011</u>	<u>2010</u>
Future years' operations	\$ 170,099	\$ 182,976
Stewardship funds for monitoring and enforcement of protected properties	973,036	869,605
Land protection activities in the South Cumberland Plateau and Sequatchie Valley regions	108,562	100,531
Land conservation programs in north Davidson county, Robertson county, Sumner county and Northeast Tennessee	122,481	14,613
Land conservation program in Williamson County	129,594	80,843
Glen Leven estate property	3,700,000	3,700,000
Glen Leven estate maintenance	9,165	-
Initial set-up and monitoring of the conservation easement for Shelby Farms	45,902	51,963
Wilson County unimproved land	210,000	210,000
Middle Tennessee wildlife conservation	20,871	25,560
Transaction assistance funds	187,781	207,441
Easement and land acquisitions	<u>155,498</u>	<u>-</u>
	<u>\$ 5,832,989</u>	<u>\$ 5,443,532</u>

NOTE 14 - TRANSACTION ASSISTANCE

In cases where important land is at risk and resources are not available to complete the conservation transaction, the Organization may provide assistance from its transaction assistance funds, which are supported by restricted grant donations. The Organization may also participate as a partner in raising funds for land purchases. In 2011, the Organization expended approximately \$204,000 (\$371,000 in 2010) from this fund to assist with transaction costs incurred for conservation transactions (easements or other methods).

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2011 AND 2010

NOTE 15 - STEWARDSHIP AND ENFORCEMENT OF EASEMENTS

In accepting conservation easements, the Organization has agreed to undertake future monitoring and enforcement activities to ensure compliance with the terms and conditions of the 186 easements it currently holds.

The Board of Directors has established a spending policy that allows up to 3% of the value of the temporarily restricted stewardship and enforcement fund as of the end of the prior fiscal year to be spent annually to meet ongoing stewardship needs and obligations. With the approval of the Board of Directors, additional funds may be transferred to unrestricted net assets and used to meet extraordinary expenses associated with upholding or defending an easement or other interest in land held by the Organization.

NOTE 16 - RELATED PARTY DISCLOSURES

During the year ended March 31, 2010, the Organization purchased legal services totaling \$10,471 from a law firm of which a Board member is a principal (no purchases in 2011).

During 2011, the Organization paid \$6,600 to a Board member for satellite office space (\$2,750 in 2010) and recorded donated space for this satellite office in the amount of \$8,400 in 2011 (\$10,000 in 2010). The donated office space amount represents the value of the discounted rent.

NOTE 17 - FIERY GIZZARD PROJECT

During the year ending March 31, 2011, the Organization entered into a Memorandum of Understanding (the "MOU") with The Conservation Fund ("TCF") to work collaboratively to conserve 6,574 acres of forestland, known as the Fiery Gizzard project area. Under the MOU, the Organization and TCF were to raise approximately \$8,860,000 for TCF to purchase the land and place an easement on the property. During 2011, the Organization raised \$979,932 towards the project and reported these contributions as easement and land acquisition assistance revenues. The Organization distributed these monies to TCF and reported the distribution under easement and land acquisition assistance expense. In November, 2010, TCF purchased the land and transferred 2,900 acres to the State of Tennessee with the remainder protected by a conservation easement held by the Organization.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2011 AND 2010

NOTE 18 - FARM AND RANCH LANDS PROTECTION PROGRAM

The Organization participates in the Farm and Ranch Lands Protection Program (the "FRPP"), a federal program in which the United States Department of Agriculture (the "USDA") provides up to 50% of the fair value of an easement to the land owner if an entity other than the landowner can match at least 25% of the fair value. During the year ending March 31, 2011, the Organization raised \$221,423 toward this program (none in 2010). Those funds are reported under easement and land acquisition assistance revenue.