

**TENNESSEE PARKS
AND GREENWAYS FOUNDATION**

FINANCIAL STATEMENTS

Year Ended December 31, 2007

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	5-10
SUPPLEMENTAL INFORMATION	
Independent Auditors' Report on Additional Information	12
Schedule of Functional Expenses	13

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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, 2007, 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, 2007, 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
July 15, 2008

TENNESSEE PARKS AND GREENWAYS FOUNDATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2007

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Cash	\$ 43,875	\$ 618,839	\$ -	\$ 662,714
Unconditional promises to give	4,000	43,000	-	47,000
Deposits	20,525	-	-	20,525
Community foundation trusts	51,724	-	-	51,724
Furniture and equipment, net	16,384	-	-	16,384
Due from unrestricted - Emergency Land Bank	-	251,066	-	251,066
Land	2,597,700	-	32,000	2,629,700
Note receivable	-	75,000	-	75,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 2,734,208</u>	<u>\$ 987,905</u>	<u>\$ 32,000</u>	<u>\$ 3,754,113</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Mortgage payable	\$ 1,700,000	\$ -	\$ -	\$ 1,700,000
Due to temporarily restricted - Emergency Land Bank	251,066	-	-	251,066
	<u>1,951,066</u>	<u>-</u>	<u>-</u>	<u>1,951,066</u>

NET ASSETS

Unrestricted	783,142	-	-	783,142
Temporarily restricted	-	987,905	-	987,905
Permanently restricted	-	-	32,000	32,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL NET ASSETS	<u>783,142</u>	<u>987,905</u>	<u>32,000</u>	<u>1,803,047</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,734,208</u>	<u>\$ 987,905</u>	<u>\$ 32,000</u>	<u>\$ 3,754,113</u>
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See Notes to Financial Statements

TENNESSEE PARKS AND GREENWAYS FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>SUPPORT AND REVENUES</u>				
Contributions	\$ 429,026	\$ 819,366	\$ -	\$ 1,248,392
Realized losses on investments	(519)	-	-	(519)
Interest income	10,813	-	-	10,813
	<u>439,320</u>	<u>819,366</u>	<u>-</u>	<u>1,258,686</u>
Net assets released from donor restrictions	<u>107,259</u>	<u>(107,259)</u>	<u>-</u>	<u>-</u>
Total Support and Revenues	<u>546,579</u>	<u>712,107</u>	<u>-</u>	<u>1,258,686</u>
<u>FUNCTIONAL EXPENSES</u>				
Program services	590,009	-	-	590,009
Management and general	<u>74,538</u>	<u>-</u>	<u>-</u>	<u>74,538</u>
Total Functional Expenses	<u>664,547</u>	<u>-</u>	<u>-</u>	<u>664,547</u>
<u>CHANGE IN NET ASSETS</u>	(117,968)	712,107	-	594,139
<u>PRIOR PERIOD ADJUSTMENT</u>	(50)	150	-	100
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>901,160</u>	<u>275,648</u>	<u>32,000</u>	<u>1,208,808</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 783,142</u>	<u>\$ 987,905</u>	<u>\$ 32,000</u>	<u>\$ 1,803,047</u>

See Notes to Financial Statements

TENNESSEE PARKS AND GREENWAYS FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended December 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets \$ 594,139

Adjustments to reconcile changes in net assets to net cash
provided by operating activities:

Depreciation	3,762
Realized (gains) losses on investments	519
Land donation to Putnam County Tennessee	180,000
Donated assets included in contributions	(182,100)
Increase in promises to give	(34,500)
Decrease in beneficial interest in perpetual trusts	21,368
Decrease in accounts payable	<u>(2,500)</u>

Net Cash Provided By Operating Activities 580,688

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of land	35,000
Purchase of land	(216,376)
Earnest money for future purchase of land	(20,000)
Purchase of equipment	<u>(12,244)</u>

Net Cash Used By Investing Activities (213,620)

CASH FLOWS FROM FINANCING ACTIVITIES

Additions to note receivable (75,000)

NET INCREASE IN CASH AND CASH EQUIVALENTS 292,068

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 370,646

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 662,714

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the year for interest \$ 31,066

Purchase of land through issuance of mortgage payable \$ 1,700,000

See Notes to Financial Statements

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

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 preserve 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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions 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 can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.
- > Permanently restricted net assets - Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally, the donors of such assets permit the Foundation to use all or part of the income earned on the 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.

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2007

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.

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. 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, 2007 was \$3,762.

NOTE B - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions and brokerage accounts. Cash and cash equivalents exceeding insured limits totaled \$400,000 at December 31, 2007.

NOTE C - RESTRICTIONS ON NET ASSETS

Unrestricted net assets at December 31, 2007, includes \$93,606 set-aside for board designated purposes.

Temporarily restricted net assets at December 31, 2007, are available for brochures, publications, seminars, and park and greenways projects.

Permanently restricted net assets at December 31, 2007, consists of donated land to be held in perpetuity.

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2007

NOTE D - PROMISES TO GIVE

Unconditional promises to give at December 31, 2007, are as follows:

Devilstep Hollow	\$ 33,000
Other	<u>14,000</u>
	<u>\$ 47,000</u>
Receivable in less than one year	\$ 39,000
Receivable in one to five years	<u>8,000</u>
	47,000
Less allowance for uncollectible promises to give	<u>-</u>
Net unconditional promises to give	<u>\$ 47,000</u>

The Organization has a conditional promise to give in the amount of \$60,000 and is a matching dollar-for-dollar pledge for new and increasing donors for the Mississippi River corridor project.

**NOTE E - FURNITURE AND EQUIPMENT AND ACCUMULATED
DEPRECIATION**

Depreciable assets:

Equipment	\$ 30,745
Less accumulated depreciation	<u>14,361</u>
	<u>\$ 16,384</u>

NOTE F - COMMUNITY FOUNDATION TRUSTS

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 there from. Net realized and unrealized gains (losses) related to the beneficial interests are reported as changes in unrestricted net assets.

The fair value at December 31, 2007 of those beneficial interests were as follows:

Community Foundation of Greater Memphis	\$ 29,176
Community Foundation of Middle Tennessee	<u>22,548</u>
	<u>\$ 51,724</u>

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2007

NOTE G - 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 2,729 acres are currently protected with an appraised value at the date of donation of \$8,978,024.

NOTE H - LEASE

In September 2006, the Organization renewed its lease agreement for office space for two more years. Monthly rent is currently \$645 a month. Rent expense under the operating lease was \$7,670 for the year ended December 31, 2007. Future minimum rent for 2008 is \$5,160.

NOTE I - 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 participant's compensation. Total expense for the year ended December 31, 2007, was \$9,402.

NOTE J - NOTE RECEIVABLE

Note receivable from Swan Conservation Trust. The note is unsecured, due on September 19, 2008. interest due quarterly at 7.25%.

\$ 75,000

NOTE K - LAND DONATION TO PUTNAM COUNTY

The Organization donated the Merle Osborn Nature Preserve to Putnam County Tennessee in October 2007. The donation consisted of approximately 92 acres on the Organizations books at \$180,000.

NOTE L - 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 \$362,068 set-aside or restricted for this use. Current borrowings against the Emergency Land Bank total \$251,066 leaving \$111,002 available for use as of December 31, 2007.

NOTE M - CONCENTRATION

One donation represents 40% of contribution revenues for the year ended December 31, 2007.

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2007

NOTE N - MORTGAGE PAYABLE

7.25% mortgage payable to bank, secured by real estate, interest only payable in quarterly payments of \$31,065.75, principal due on August 22, 2008. The Organization paid this loan in full on April 15, 2008. See Note O.

\$ 1,700,000

NOTE O - SUBSEQUENT EVENTS

On April 15, 2008, the Organization sold 385 acres in Cumberland County for \$2,102,123 and in doing so paid off the \$1,700,000 mortgage payable to First National Bank plus accrued interest of \$18,521.

On June 10, 2008, the Organization purchased approximately 689 acres of land in Sparta Tennessee for \$2,187,178. Included in deposits at December 31, 2008 is \$20,000 in earnest money for the purchase of this land. The Organization took out a mortgage in the amount of \$1,300,000 upon purchase of this property and \$811,936 was paid by the Tennessee Heritage Conservation Trust Fund.