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FRIENDS OF RADNOR LAKE

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2006 AND 2005

FRIENDS OF RADNOR LAKE
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DECEMBER 31, 2006 AND 2005

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Friends of Radnor Lake
Nashville, Tennessee

We have audited the accompanying statements of financial position of Friends of Radnor Lake (a not-for-profit corporation) ("FORL") as of December 31, 2006 and 2005, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of FORL'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 Friends of Radnor Lake as of December 31, 2006 and 2005, 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
August 1, 2007

FRIENDS OF RADNOR LAKE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 268,534	\$ 431,048
Accounts receivable - license plate fees	13,386	17,905
Accounts receivable - other	2,250	-
Inventory	4,939	2,350
Funds held for other agency	7,553	-
Furniture and equipment - at cost, less accumulated depreciation - Note 2	14,372	18,279
Land - at cost - Note 3 and 4	<u>1,827,160</u>	<u>1,015,437</u>
 TOTAL ASSETS	 <u>\$ 2,138,194</u>	 <u>\$ 1,485,019</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,262	\$ 1,212
Funds held for other agency	<u>7,553</u>	<u>-</u>
 TOTAL LIABILITIES	 <u>8,815</u>	 <u>1,212</u>
NET ASSETS		
Unrestricted:		
Invested in land	1,827,160	1,015,437
Board designated for land acquisitions and other programs	3,200	20,129
Undesignated	<u>294,774</u>	<u>304,388</u>
Total unrestricted	2,125,134	1,339,954
Temporarily restricted - Note 5	<u>4,245</u>	<u>143,853</u>
 TOTAL NET ASSETS	 <u>2,129,379</u>	 <u>1,483,807</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,138,194</u>	 <u>\$ 1,485,019</u>

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

FRIENDS OF RADNOR LAKE
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006			2005		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT						
Local government grants	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000
Contributions	156,262	5,760	162,022	106,594	8,506	115,100
Donated land	831,723	-	831,723	-	-	-
License plate fees	57,763	-	57,763	77,437	-	77,437
Fundraising events	25,766	-	25,766	19,758	-	19,758
Calendar and other merchandise sales	20,663	-	20,663	11,661	-	11,661
Less: cost of calendar and merchandise sales	(11,138)	-	(11,138)	(2,359)	-	(2,359)
Interest and dividend income	5,904	2,472	8,376	3,246	9,286	12,532
Miscellaneous income	-	-	-	1,500	-	1,500
Net assets released from restrictions:						
Satisfaction of purpose restrictions - Note 5	147,840	(147,840)	-	378,943	(378,943)	-
TOTAL REVENUES AND SUPPORT	1,234,783	(139,608)	1,095,175	596,780	(311,151)	285,629
EXPENSES						
Program services - Note 4						
Land acquisition grants and related costs	333,142	-	333,142	2,517	-	2,517
Other services	57,731	-	57,731	48,613	-	48,613
Supporting services:						
Management and general	37,044	-	37,044	36,039	-	36,039
Fundraising	21,686	-	21,686	21,120	-	21,120
TOTAL EXPENSES	449,603	-	449,603	108,289	-	108,289
CHANGE IN NET ASSETS	785,180	(139,608)	645,572	488,491	(311,151)	177,340
NET ASSETS - BEGINNING OF YEAR	1,339,954	143,853	1,483,807	851,463	455,004	1,306,467
NET ASSETS - END OF YEAR	\$ 2,125,134	\$ 4,245	\$ 2,129,379	\$ 1,339,954	\$ 143,853	\$ 1,483,807

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

FRIENDS OF RADNOR LAKE

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
OPERATING ACTIVITIES		
Change in net assets	<u>\$ 645,572</u>	<u>\$ 177,340</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	5,481	4,885
Option paid on Oman property in prior year - assigned to the State	20,000	-
Noncash contribution of land	(831,723)	-
(Increase) decrease in:		
Contributions receivable	-	30,000
Accounts receivable - license plate fees	4,519	(1,177)
Accounts receivable - other	(2,250)	-
Inventory	(2,589)	(2,350)
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>50</u>	<u>148</u>
TOTAL ADJUSTMENTS	<u>(806,512)</u>	<u>31,506</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(160,940)</u>	<u>208,846</u>
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of land and related costs	-	(389,511)
Purchase of equipment	<u>(1,574)</u>	<u>(2,686)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,574)</u>	<u>(392,197)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(162,514)	(183,351)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>431,048</u>	<u>614,399</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 268,534</u>	<u>\$ 431,048</u>

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

FRIENDS OF RADNOR LAKE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2006

	PROGRAM SERVICES	<u>SUPPORTING SERVICES</u>		<u>TOTAL</u>
		<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	
Salaries and wages and related payroll taxes	\$ 21,530	\$ 21,530	\$ 10,765	\$ 53,825
Accounting fees	-	5,320	-	5,320
Bank fees	-	203	1,153	1,356
Calendar expense - cost of sales	-	-	11,138	11,138
Calendar expense - promotional gifts	-	-	245	245
Computer maintenance	-	564	-	564
Deer and coyote study	1,267	-	-	1,267
Dues and subscriptions	-	200	-	200
Environmental education	3,513	-	-	3,513
Events	1,997	-	1,996	3,993
Fees	-	320	-	320
Frist technology grant	176	264	-	440
Gifts and awards	767	-	767	1,534
Hospitality	-	-	1,774	1,774
Insurance	-	1,130	-	1,130
Junior Ranger Program	5,723	-	-	5,723
Land acquisition grants and related costs	333,142	-	-	333,142
Membership outreach	333	-	332	665
Netherton video	46	-	108	154
Newsletter	2,967	-	2,331	5,298
Oral History Project	594	-	-	594
Park support	6,511	-	-	6,511
Postage and handling	-	245	244	489
Printing and publications	-	10	-	10
Property taxes	1,909	-	-	1,909
Rent	-	550	550	1,100
RLWSI - Water Quality Study	5,928	-	-	5,928
Public relations	4,275	-	-	4,275
Supplies	-	262	262	524
Telephone	-	965	964	1,929
Web site maintenance	195	-	195	390
TOTAL EXPENSES BEFORE DEPRECIATION	390,873	31,563	32,824	455,260
Depreciation	-	5,481	-	5,481
TOTAL EXPENSES	390,873	37,044	32,824	460,741
Less expenses included with revenues on the statement of activities as cost of sales	-	-	(11,138)	(11,138)
TOTAL EXPENSES INCLUDED IN EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES	\$ 390,873	\$ 37,044	\$ 21,686	\$ 449,603

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

FRIENDS OF RADNOR LAKE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2005

	PROGRAM SERVICES	<u>SUPPORTING SERVICES</u>		<u>TOTAL</u>
		<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	
Salaries and wages and related payroll taxes	\$ 20,728	\$ 20,728	\$ 10,363	\$ 51,819
Accounting fees	-	4,810	-	4,810
Bank fees	-	138	785	923
Calendar expense - cost of sales	-	-	2,359	2,359
Calendar expense - promotional gifts	-	-	2,650	2,650
Computer maintenance	-	221	-	221
Deer and coyote study	3,618	-	-	3,618
Dues and subscriptions	-	152	-	152
Environmental education	1,712	-	-	1,712
Events	1,875	-	1,875	3,750
Fees	-	314	-	314
Frist technology grant	699	1,049	-	1,748
Gifts and awards	194	-	193	387
Hospitality	-	-	433	433
Insurance	-	1,130	-	1,130
Junior Ranger Program	4,130	-	-	4,130
Land acquisition grants and related costs	2,517	-	-	2,517
Netherton video	86	-	201	287
Newsletter	4,647	-	2,208	6,855
Oral History Project	1,037	-	-	1,037
Park support	6,388	-	-	6,388
Postage and handling	-	544	544	1,088
Printing and publications	-	386	-	386
Property taxes	394	-	-	394
Rent	-	650	650	1,300
RLWSI - Water Quality Study	2,917	-	-	2,917
Supplies	-	328	328	656
Telephone	-	704	703	1,407
Web site maintenance	188	-	187	375
TOTAL EXPENSES BEFORE DEPRECIATION	51,130	31,154	23,479	105,763
Depreciation	-	4,885	-	4,885
TOTAL EXPENSES	51,130	36,039	23,479	110,648
Less expenses included with revenues on the statement of activities as cost of sales	-	-	(2,359)	(2,359)
TOTAL EXPENSES INCLUDED IN EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES	<u>\$ 51,130</u>	<u>\$ 36,039</u>	<u>\$ 21,120</u>	<u>\$ 108,289</u>

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

FRIENDS OF RADNOR LAKE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Friends of Radnor Lake ("FORL") is a Tennessee not-for-profit corporation. Its purpose is to maintain, improve and protect the natural environment, habitat, facilities and equipment of Radnor Lake State Natural Area and to educate the general public on the importance of the area.

Basis of Presentation

The financial statements of FORL have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

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 in perpetuity that the principal be invested and the income or specific portions thereof be used for operations. FORL had no permanently restricted net assets as of December 31, 2006 or 2005.

Cash and Cash Equivalents

Cash and cash equivalents consist principally of checking and savings account balances with financial institutions.

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.

FRIENDS OF RADNOR LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Support (continued)

FORL reports any gifts of property, equipment, or materials as unrestricted support unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Contributions Receivable

Unconditional promises 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. Conditional promises to give are not included as support until such time as the conditions are substantially met. There were no contributions receivable at December 31, 2006 or 2005.

License Plate Fees

License plate fees are collected on behalf of FORL by the State of Tennessee when individuals purchase or renew specialty license plates. These fees are recognized by FORL as revenue in the month collected by the State.

Income Taxes

FORL is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

Inventory

Inventory is reported at the lower of cost (first-in, first-out method) or market.

Furniture, Equipment and Land

Land, furniture and equipment are recorded at cost, when purchased, or at estimated fair value at the date of the gift when donated to the FORL (for all items that exceed \$500). Depreciation is calculated by the straight-line method to allocate the cost of depreciable assets, as so determined, to operations over estimated useful lives ranging from five to fifteen years. FORL follows the practice of capitalizing expenditures for furniture and equipment in excess of \$500.

Management reviews long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. FORL assesses recoverability of the carrying value of the asset by estimating future net cash flows expected to result from the assets, including eventual disposition. If the future cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and its estimated fair value.

FRIENDS OF RADNOR LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services

The following functional expense classifications are included in the accompanying financial statements:

Program services - consists of programs to acquire land to be donated to the natural area, protect and maintain the environment, improve the natural area and educate the general public about the Radnor Lake State Natural Area.

Management and general - includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Includes costs associated with providing coordination and articulation of FORL'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 and calendar sales. 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. Expenses that relate to more than one function are allocated among applicable functions on the basis of objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Donated Property, Goods and Services

Property, professional services, and goods received as donations are reflected as support in the accompanying financial statements at their estimated or appraised fair value in the period received. For the year ended December 31, 2006, \$54,675 in donated services, (legal, public relations and graphic design) and \$831,723 in donated land were recorded in the accompanying Statement of Activities (the value of donated goods and services meeting the requirements for recognition in the financial statements was not material in 2005).

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Reclassifications

Certain prior year amounts have been reclassified to be comparative with the current year's presentation.

FRIENDS OF RADNOR LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006 AND 2005

NOTE 2 - FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following as of December 31:

	<u>2006</u>	<u>2005</u>
Furniture and equipment	\$ 38,714	\$ 37,140
Less accumulated depreciation	<u>(24,342)</u>	<u>(18,861)</u>
Furniture and equipment - net	<u>\$ 14,372</u>	<u>\$ 18,279</u>

NOTE 3 - LAND

Land tracts acquired surround the Radnor Lake State Natural Area. FORL intends either to sell or donate the land to the State of Tennessee for future expansion of the Radnor Lake State Natural Area.

Land consists of the following as of December 31:

	<u>2006</u>	<u>2005</u>
Lipscomb donated property	\$ 4,500	\$ 4,500
Davis property	83,000	83,000
McCubbin property	167,000	167,000
Wesnofske Property	190,696	190,696
Cheek property, and related costs	550,241	550,241
Campbell donated property	831,723	-
Oman property - option payments	<u>-</u>	<u>20,000</u>
Total	<u>\$ 1,827,160</u>	<u>\$ 1,015,437</u>

In June 2006, FORL assigned its option on the Oman property to the State of Tennessee, and the State acquired this parcel of land for \$790,000. FORL had made option payments prior to this purchase and provided an additional grant to the State of Tennessee in 2006, in the amount of \$258,667, that was applied to the purchase. Option costs carried as an asset at December 31, 2005, were charged off as part of the land acquisition grant in 2006.

FRIENDS OF RADNOR LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006 AND 2005

NOTE 4 - PROGRAM ACCOMPLISHMENTS

Total program accomplishments by FORL consist of program services and land acquisitions, as follows for the years ended December 31:

	<u>2006</u>	<u>2005</u>
Program Services:		
Grants for land acquisitions and related costs	\$ 333,142	\$ 2,517
Less: option purchased in prior year	(20,000)	-
Other services	57,731	48,613
Land acquired by donation	831,723	-
Land or options acquired by purchase	<u>-</u>	<u>389,511</u>
Total	<u>\$ 1,202,596</u>	<u>\$ 440,641</u>

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Changes in temporarily restricted net assets for the year ended December 31, 2006 were as follows:

	<u>2006</u>			
	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
Contributions restricted for specific purposes:				
Other land acquisitions	\$ 142,495	\$ 3,157	\$(145,652) ⁽¹⁾	\$ -
Technology equipment and training	51	3,075	(440)	2,686
Junior ranger program	-	1,000	(1,000)	-
Reconstruction of deck on lake trail	-	1,000	-	1,000
Oral History Fund	594	-	(594)	-
Netherton Video	<u>713</u>	<u>-</u>	<u>(154)</u>	<u>559</u>
	<u>\$ 143,853</u>	<u>\$ 8,232</u>	<u>\$(147,840)</u>	<u>\$ 4,245</u>

(1) Includes a portion of the land grant made and option assigned to the State of Tennessee for the purchase of the Oman property.

FRIENDS OF RADNOR LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006 AND 2005

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Changes in temporarily restricted net assets for the year ended December 31, 2005 were as follows:

	<u>2005</u>			
	<u>Beginning</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending</u>
Grant received from the City of Oak Hill for land acquisitions within the City of Oak Hill to expand the Radnor Lake State Natural Area, and related interest income	\$ 293,352	\$ 55,560	\$(348,912)	\$ -
Contributions restricted for specific purposes:				
Other land acquisitions	157,961	4,651	(20,117) ⁽²⁾	142,495
Technology equipment and training	1,649	950	(2,548)	51
Junior ranger program	-	4,000	(4,000)	-
Oral History Fund	-	1,631	(1,037)	594
Netherton Video	-	1,000	(287)	713
Deer and coyote study	<u>2,042</u>	<u>-</u>	<u>(2,042)</u>	<u>-</u>
	<u>\$ 455,004</u>	<u>\$ 67,792</u>	<u>\$(378,943)</u>	<u>\$ 143,853</u>

(2) Includes option purchased on Oman property and other related costs.

NOTE 6 - CONCENTRATION OF CREDIT RISK

During 2006, one donor contributed a parcel of land to FORL, which accounted for 76% of its total revenues and support. A grant from the City of Oak Hill comprised 18% of FORL's total revenues and support in 2005. In addition, during 2006, FORL received approximately 5% (27% in 2005) of its total revenues and support from the State of Tennessee for fees generated from the sale of FORL license plates.

FORL maintains cash and investment balances in bank deposit accounts with financial institutions which, at times, may exceed FDIC insurance limits. Management considers this to be a normal business risk, which is mitigated by the use of high quality financial institutions.

FRIENDS OF RADNOR LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2006 AND 2005

NOTE 7 - RELATED PARTY TRANSACTIONS

Donated services included in contribution income in 2006 include in-kind contributions by Board members as follows: \$3,700 for the 2007 calendar, \$200 for the newsletter, \$3,000 for the water quality study, \$4,275 for public relations, and \$43,500 for attorney fees. In addition, one board member is employed by FORL's financial institution. In-kind contributions were not significant in 2005.