

THE LAND TRUST FOR TENNESSEE, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

MARCH 31, 2007 AND 2006

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, 2007 and 2006, 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, 2007 and 2006, 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 17, 2007

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,126,104	\$ 708,120
Contributions receivable - Note 3	94,449	166,830
Accounts receivable	19,086	4,385
Prepaid expenses and other	11,478	6,499
Furniture and equipment, net - Note 4	34,456	19,964
Glen Leven estate property - Note 11	3,700,000	-
Protected land - Note 8	2,014,471	2,014,471
Funds held on behalf of others	<u>5,000</u>	<u>5,000</u>
TOTAL ASSETS	<u>\$ 7,005,044</u>	<u>\$ 2,925,269</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 4,943	\$ 5,975
Accrued expenses	6,022	23,317
Funds held on behalf of others	<u>5,000</u>	<u>5,000</u>
TOTAL LIABILITIES	<u>15,965</u>	<u>34,292</u>
COMMITMENTS - Note 6		
<u>NET ASSETS</u>		
Unrestricted:		
Designated for protected land - Note 8	2,014,471	2,014,471
Undesignated	<u>498,715</u>	<u>371,535</u>
Total unrestricted	2,513,186	2,386,006
Temporarily restricted - Note 12	<u>4,475,893</u>	<u>504,971</u>
TOTAL NET ASSETS	<u>6,989,079</u>	<u>2,890,977</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,005,044</u>	<u>\$ 2,925,269</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, 2007 AND 2006

	2007		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Contributions	\$ 295,259	\$ 566,082	\$ 861,341
Property bequeathed from Glen Leven estate - Note 11	-	3,700,000	3,700,000
Donated goods and services - Note 10	187,865	-	187,865
Special events	161,135	-	161,135
Less: direct benefits to donors	(86,162)	-	(86,162)
Investment income	36,370	-	36,370
Agency fees	700	-	700
Net assets released from restrictions	295,160	(295,160)	-
TOTAL REVENUES AND SUPPORT	890,327	3,970,922	4,861,249
EXPENSES			
Program services	559,071	-	559,071
Supporting services:			
Administration	99,097	-	99,097
Fundraising	104,979	-	104,979
TOTAL EXPENSES	763,147	-	763,147
CHANGE IN NET ASSETS	127,180	3,970,922	4,098,102
NET ASSETS - BEGINNING OF YEAR	2,386,006	504,971	2,890,977
NET ASSETS - END OF YEAR	\$ 2,513,186	\$ 4,475,893	\$ 6,989,079

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

2006		
Unrestricted	Temporarily Restricted	Total
\$ 203,619	\$ 346,506	\$ 550,125
-	-	-
93,481	-	93,481
167,106	-	167,106
(77,590)	-	(77,590)
18,242	-	18,242
3,073	-	3,073
<u>376,346</u>	<u>(376,346)</u>	<u>-</u>
<u>784,277</u>	<u>(29,840)</u>	<u>754,437</u>
553,325	-	553,325
79,796	-	79,796
<u>48,652</u>	<u>-</u>	<u>48,652</u>
<u>681,773</u>	<u>-</u>	<u>681,773</u>
102,504	(29,840)	72,664
<u>2,283,502</u>	<u>534,811</u>	<u>2,818,313</u>
<u>\$ 2,386,006</u>	<u>\$ 504,971</u>	<u>\$ 2,890,977</u>

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
OPERATING ACTIVITIES		
Change in net assets	<u>\$ 4,098,102</u>	<u>\$ 72,664</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Property bequeathed from Glen Leven estate - Note 11	(3,700,000)	-
Donated equipment	(11,995)	(303)
Depreciation	6,433	5,221
(Increase) decrease in:		
Contributions receivable	72,381	34,495
Accounts receivable	(14,701)	(4,385)
Prepaid expenses	(4,979)	(431)
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>(18,327)</u>	<u>20,966</u>
TOTAL ADJUSTMENTS	<u>(3,671,188)</u>	<u>55,563</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	426,914	128,227
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of furniture and equipment	<u>(8,930)</u>	<u>(5,639)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	417,984	122,588
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>708,120</u>	<u>585,532</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,126,104</u>	<u>\$ 708,120</u>

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, 2007 AND 2006

	2007				
	Program	Supporting Services			
	Services	Administration	Fundraising	Total	Total
Salaries and related fringe benefits	\$ 302,264	\$ 47,173	\$ 39,726	\$ 86,899	\$ 389,163
Computer expense	6,067	1,042	705	1,747	7,814
Depreciation	978	4,432	1,023	5,455	6,433
Development/fundraising	-	-	4,529	4,529	4,529
Dues and subscriptions	1,768	808	306	1,114	2,882
Easement preparation	9,223	-	-	-	9,223
Education and outreach	24,824	2,125	3,105	5,230	30,054
Events:					
Related costs	-	-	86,495	86,495	86,495
Donated goods and services - Note 10	-	-	30,255	30,255	30,255
Furniture expense	-	-	-	-	-
Glen Leven estate property					
operating costs - Note 11	18,292	-	-	-	18,292
Office expenses	11,960	2,880	3,404	6,284	18,244
Insurance	5,748	2,115	1,409	3,524	9,272
Interest	-	-	-	-	-
Occupancy	23,700	7,164	4,778	11,942	35,642
Printing and publication	9,724	67	45	112	9,836
Professional services:					
Donated - Note 10	123,212	14,697	7,006	21,703	144,915
Other	11,976	14,251	6,793	21,044	33,020
Stewardship	390	-	-	-	390
Taxes, licenses and fees	417	154	102	256	673
Telephone	8,528	2,189	1,460	3,649	12,177
TOTAL EXPENSES	559,071	99,097	191,141	290,238	849,309
Less expenses included with revenues on the statement of activities - direct benefits to donors	-	-	(86,162)	(86,162)	(86,162)
TOTAL EXPENSES INCLUDED IN THE EXPENSES SECTION OF THE STATEMENT OF ACTIVITIES	\$ 559,071	\$ 99,097	\$ 104,979	\$ 204,076	\$ 763,147

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

2006

Program Services	Supporting Services			Total
	Administration	Fundraising		
\$ 345,572	\$ 55,482	\$ 34,636	\$ 90,118	\$ 435,690
2,435	1,569	181	1,750	4,185
3,597	830	794	1,624	5,221
-	-	5,615	5,615	5,615
1,481	1,073	536	1,609	3,090
7,759	-	-	-	7,759
15,261	2,602	482	3,084	18,345
-	-	77,590	77,590	77,590
-	-	-	-	-
257	350	-	350	607
-	-	-	-	-
6,337	1,831	553	2,384	8,721
3,201	754	597	1,351	4,552
222	74	17	91	313
27,892	5,643	4,465	10,108	38,000
12,540	264	-	264	12,804
93,178	-	-	-	93,178
27,481	8,485	88	8,573	36,054
-	-	-	-	-
244	27	45	72	316
5,868	812	643	1,455	7,323
553,325	79,796	126,242	206,038	759,363
-	-	(77,590)	(77,590)	(77,590)
<u>\$ 553,325</u>	<u>\$ 79,796</u>	<u>\$ 48,652</u>	<u>\$ 128,448</u>	<u>\$ 681,773</u>

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007 AND 2006

NOTE 1 - GENERAL

Nature of Business

The Land Trust for Tennessee, Inc. (the "Organization") is a Tennessee not-for-profit organization, incorporated on January 15, 1999, whose purpose 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. The goal to preserve Tennessee's land will primarily be accomplished through 1) the acquisition, through donation or purchase, of land or conservation easements on land, and 2) public education concerning Tennessee's natural and historic resources and landowners' options for preserving these resources. The Organization is funded primarily by contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying financial statements present the Organization's financial position and results of operations on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Resources are classified as unrestricted, temporarily restricted and 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. The Organization had no permanently restricted net assets as of March 31, 2007 and 2006.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2007 AND 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. The discount on those amounts is computed at a risk-free interest rate applicable to the year in which the promise is received (4.58% in 2007; 4.81% in 2006). 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.

Property and Equipment

Property and equipment are stated at cost at the date of purchase, or estimated fair value at the date of the gift to the Organization. Depreciation is calculated by the straight-line method to allocate the cost of depreciable assets, as so determined, to operations over the estimated useful lives of the assets (three to seven years for equipment and furniture and fixtures).

In-kind Contributions

Donated materials are recorded as gifts in the period received at 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 fair value as support and expense in the period the services are performed.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2007 AND 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services

The following functional expense classifications 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.

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

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

Reclassifications

Certain reclassifications have been made to prior year amounts in order to be comparative with the current year presentation.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2007 AND 2006

NOTE 3 - CONTRIBUTIONS AND CONTRIBUTIONS RECEIVABLE

At March 31, 2007, two contributions receivable from two unrelated parties comprised 31% of total receivables (35% in 2006). In addition, pledges totaling \$40,004 (\$63,221 in 2006) are due from eleven (ten in 2006) members of the Organization's board of directors.

Contributions receivable consisted of the following as of March 31:

	<u>2007</u>	<u>2006</u>
Due in less than one year	\$ 60,405	\$ 72,677
Due in one to five years	<u>35,833</u>	<u>100,884</u>
	96,238	173,561
Less: Discount to present value	<u>(1,789)</u>	<u>(6,731)</u>
Subtotal	94,449	166,830
Less: Allowance for uncollectible amounts	<u>-</u>	<u>-</u>
	<u><u>\$ 94,449</u></u>	<u><u>\$ 166,830</u></u>

The Organization has been notified that certain donors will recommend gifts to the Organization by the Community Foundation of Middle Tennessee, Inc. (the "Foundation"). The total expected amount of such gifts approximated \$102,000 as of March 31, 2007. The gifts are expected to be approved by the Foundation and disbursed to the Organization in 2008 and 2009. The Foundation has final authority over these donor recommendations and, accordingly, the contributions will be recognized in the period approved by the Foundation.

NOTE 4 - FURNITURE AND EQUIPMENT

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

	<u>2007</u>	<u>2006</u>
Furniture and fixtures	\$ 473	\$ 473
Equipment	<u>63,289</u>	<u>42,364</u>
	63,762	42,837
Less: accumulated depreciation	<u>(29,306)</u>	<u>(22,873)</u>
Net furniture and equipment	<u><u>\$ 34,456</u></u>	<u><u>\$ 19,964</u></u>

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2007 AND 2006

NOTE 5 - 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 2007 or 2006. Total assets held in this fund approximated \$14,000 at March 31, 2007 (\$12,000 at March 31, 2006).

NOTE 6 - LEASES

The Organization leases its office facilities under a noncancelable operating lease. The lease expires June 30, 2009. Additionally, the Organization leases a satellite office on a month-to-month basis for \$300 a month. Total rent expense paid during the year was \$32,150 (\$30,058 in 2006).

Future minimum lease payments required under all noncancelable operating leases that have remaining terms in excess of one year as of March 31, 2007, are as follows:

Year ending March 31,

2008	\$ 29,575
2009	30,875
2010	<u>7,800</u>
	<u>\$ 68,250</u>

NOTE 7 - 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 \$6,250 in 2007 (\$6,658 in 2006).

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2007 AND 2006

NOTE 8 - PROTECTED LAND

Protected land consists of a tract of land in Tennessee that was purchased by the Organization in a prior year with funds that were donated for that purpose. The land is being held subject to significant deed restrictions consistent with the Organization's mission.

NOTE 9 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash deposits at one financial institution which, at times, may exceed federally insured limits. In management's opinion, the risk is mitigated by the use of high quality financial institutions.

NOTE 10 - DONATED GOODS AND SERVICES

The accompanying statements of activities include contributed services for legal, engineering, architectural, and various other services. Donated goods includes food and beverages used at fundraising events and certain equipment. The equipment was capitalized and is reported on the statement of financial position.

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

	<u>2007</u>	<u>2006</u>
Equipment	\$ 11,995	\$ 303
Events:		
Goods	14,400	-
Printing and publicity	16,555	-
Professional services:		
Public relations and branding	89,590	11,478
Biologists, legal, geologists, graphic design, photographers, website	<u>55,325</u>	<u>81,700</u>
	<u>\$ 187,865</u>	<u>\$ 93,481</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, 2007 AND 2006

NOTE 11 - PROPERTY BEQUEATHED FROM GLEN LEVEN ESTATE

During 2007, the Organization received a testamentary bequest from the Glen Leven estate consisting of approximately 65 acres of land and a historic house with appraised fair values of \$2,200,000 and \$1,500,000, respectively. The decedent's will placed significant restrictions on the use of this property or the proceeds in the event of its sale. Thus, management and the Board are currently evaluating its future use.

Operating costs incurred by the Organization related to the maintenance of this property are reported in program services and are as follows for the years ended March 31:

	<u>2007</u>	<u>2006</u>
Insurance	\$ 5,629	\$ -
Repairs	10,411	-
Security	1,706	-
Utilities and other	<u>546</u>	<u>-</u>
	<u>\$ 18,292</u>	<u>\$ -</u>

The Organization has filed the necessary applications on this property for exemption from property taxes. Thus, no property taxes have been accrued.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2007 AND 2006

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2007</u>	<u>2006</u>
Future years' operations	\$ 94,449	\$ 166,830
Stewardship funds for monitoring and enforcement of protected properties	301,232	224,298
Land protection activities in the South Cumberland Plateau and Sequatchie Valley regions	142,921	81,203
Land conservation program in north Davidson county, Robertson county, Sumner county and Northeast Tennessee	12,155	12,164
Glen Leven estate property - Note 11	3,700,000	-
Maintenance of the Glen Leven estate property	28,574	-
Support from Phase II of the Duck River Highlands Conservation Project	38,962	-
Initial set-up and monitoring of the conservation easement for Shelby Farms	52,108	-
Transaction fees	85,820	-
Education, outreach and other land protection programs	19,672	20,476
	<u>\$ 4,475,893</u>	<u>\$ 504,971</u>