

FRIENDS OF RADNOR LAKE

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS

AND

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2005 AND 2004

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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, 2005 and 2004, 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, 2005 and 2004, and the results of its operations 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
June 20, 2006

FRIENDS OF RADNOR LAKE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u> (Restated - Note 7)
<u>ASSETS</u>		
Cash and cash equivalents	\$ 431,048	\$ 614,399
Contributions receivable	-	30,000
Accounts receivable - license plate fees	17,905	16,728
Inventory	2,350	-
Furniture and equipment - at cost, less accumulated depreciation - Note 2	18,279	20,478
Land - at cost - Note 3 and 4	<u>1,015,437</u>	<u>625,926</u>
 TOTAL ASSETS	 <u>\$ 1,485,019</u>	 <u>\$ 1,307,531</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	<u>\$ 1,212</u>	<u>\$ 1,064</u>
 <u>NET ASSETS</u>		
Unrestricted:		
Invested in land	1,015,437	625,926
Board designated for land acquisitions and other programs	20,129	36,489
Undesignated	<u>304,388</u>	<u>189,048</u>
Total unrestricted	1,339,954	851,463
Temporarily restricted - Note 5	<u>143,853</u>	<u>455,004</u>
 TOTAL NET ASSETS	 <u>1,483,807</u>	 <u>1,306,467</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,485,019</u>	 <u>\$ 1,307,531</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, 2005 AND 2004

	2005			2004		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT						
Local government grants	\$ -	\$ 50,000	\$ 50,000	(Restated - Note 7) \$ -	\$ 55,000	\$ 55,000
Contributions	106,594	8,506	115,100	75,774	249,469	325,243
License plate fees	77,437	-	77,437	67,839	-	67,839
Fundraising events	19,758	-	19,758	9,402	-	9,402
Calendar and other merchandise sales	11,661	-	11,661	730	-	730
Less: cost of calendar and merchandise sales	(2,359)	-	(2,359)	-	-	-
Interest and dividend income	3,246	9,286	12,532	742	5,796	6,538
Unrealized gain (loss) on marketable securities	-	-	-	(33)	-	(33)
Miscellaneous income	1,500	-	1,500	-	-	-
Net assets released from restrictions:						
Satisfaction of purpose restrictions - Note 5	378,943	(378,943)	-	168,356	(168,356)	-
TOTAL REVENUES AND SUPPORT	596,780	(311,151)	285,629	322,810	141,909	464,719
EXPENSES						
Program services - Note 4						
Grant for land purchases and related costs	2,517	-	2,517	153,313	-	153,313
Other services	49,381	-	49,381	41,989	-	41,989
Supporting services:						
Management and general	36,433	-	36,433	34,040	-	34,040
Fundraising	19,958	-	19,958	27,543	-	27,543
TOTAL EXPENSES	108,289	-	108,289	256,885	-	256,885
CHANGE IN NET ASSETS	488,491	(311,151)	177,340	65,925	141,909	207,834
NET ASSETS - BEGINNING OF YEAR, as restated - Note 7	851,463	455,004	1,306,467	785,538	313,095	1,098,633
NET ASSETS - END OF YEAR	\$ 1,339,954	\$ 143,853	\$ 1,483,807	\$ 851,463	\$ 455,004	\$ 1,306,467

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, 2005 AND 2004

	<u>2005</u>	<u>2004</u> (Restated - Note 7)
OPERATING ACTIVITIES		
Change in net assets	<u>\$ 177,340</u>	<u>\$ 207,834</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,885	7,256
Noncash contribution of land	-	(4,500)
Unrealized (gain) loss on marketable securities	-	33
(Increase) decrease in:		
Contributions receivable	30,000	(30,000)
Accounts receivable - license plate fees	(1,177)	6,150
Inventory	(2,350)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>148</u>	<u>69</u>
TOTAL ADJUSTMENTS	<u>31,506</u>	<u>(20,992)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>208,846</u>	<u>186,842</u>
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of land and related costs	(389,511)	-
Proceeds from sale of investments	-	788
Purchase of equipment	<u>(2,686)</u>	<u>(3,648)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(392,197)</u>	<u>(2,860)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(183,351)	183,982
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>614,399</u>	<u>430,417</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 431,048</u>	<u>\$ 614,399</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, 2005

	PROGRAM SERVICES	SUPPORTING SERVICES		TOTAL
		MANAGEMENT AND GENERAL	FUNDRAISING	
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	2,517	-	-	2,517
Netherton video	86	-	201	287
Newsletter	5,809	-	1,046	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	51,898	31,548	22,317	105,763
Depreciation	-	4,885	-	4,885
TOTAL EXPENSES	51,898	36,433	22,317	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	\$ 51,898	\$ 36,433	\$ 19,958	\$ 108,289

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, 2004

	PROGRAM SERVICES	SUPPORTING SERVICES		TOTAL
		MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries and wages and related payroll taxes	\$ 14,932	\$ 19,909	\$ 14,932	\$ 49,773
Accounting fees	-	2,400	-	2,400
Bank fees	-	115	650	765
Computer maintenance	-	495	-	495
Contract labor	-	-	2,500	2,500
Deer and coyote study	2,958	-	-	2,958
Dues and subscriptions	-	45	-	45
Eagle scout projects	5,000	-	-	5,000
Environmental education	517	-	-	517
Events	1,406	-	-	1,406
Fees	-	449	-	449
Frist technology grant	413	620	-	1,033
Gifts and awards	1,145	-	1,144	2,289
Hospitality	-	-	1,600	1,600
Insurance	-	1,130	-	1,130
Junior Ranger Program	4,271	-	-	4,271
Land acquisition grants	153,313	-	-	153,313
Membership outreach	-	-	100	100
Netherton video	1,500	-	3,500	5,000
Newsletter	4,649	-	951	5,600
Park support	4,962	-	-	4,962
Postage and handling	-	286	286	572
Printing and publications	-	323	-	323
Property taxes (refund)	-	(634)	-	(634)
Rent	-	600	600	1,200
Supplies	-	331	330	661
Telephone	-	715	714	1,429
Web site maintenance	236	-	236	472
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	195,302	26,784	27,543	249,629
Depreciation	-	7,256	-	7,256
TOTAL FUNCTIONAL EXPENSES	\$ 195,302	\$ 34,040	\$ 27,543	\$ 256,885

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

FRIENDS OF RADNOR LAKE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

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.

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.

FORL had no permanently restricted net assets at December 31, 2005 or 2004.

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, 2005.

An allowance for uncollectible amounts was not provided on contributions receivable at December 31, 2004 since, in management's opinion, the pledges were fully collectible, based on past history.

FRIENDS OF RADNOR LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Furniture, equipment and land purchases are capitalized and stated at acquisition cost, or at estimated fair value at the time of the gift if donated. Depreciation on furniture and equipment is calculated by the straight-line method over an estimated useful life of five to fifteen years.

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, fundraising, 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 distributions of fundraising materials.

FRIENDS OF RADNOR LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Goods and Services

The value of contributed goods and services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

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.

NOTE 2 - FURNITURE AND EQUIPMENT

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

	<u>2005</u>	<u>2004</u>
Furniture and equipment	\$ 37,140	\$ 36,454
Less accumulated depreciation	<u>(18,861)</u>	<u>(15,976)</u>
Furniture and equipment - net	<u>\$ 18,279</u>	<u>\$ 20,478</u>

FRIENDS OF RADNOR LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 3 - LAND

The land tracts acquired surround the Radnor Lake State Natural Area. FORL intends to either 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 properties as of December 31:

	<u>2005</u>	<u>2004</u>
Lipscomb donated property	\$ 4,500	\$ 4,500
Davis property	83,000	83,000
McCubbin property	167,000	167,000
Wesnofske Property	190,696	-
Cheek property, and related costs	550,241	371,426
Oman property - option payments	<u>20,000</u>	<u>-</u>
Total	<u>\$ 1,015,437</u>	<u>\$ 625,926</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 \$30,000 in option payments prior to this purchase and provided an additional grant to the State of Tennessee in the amount of \$258,667 that was applied to the purchase.

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>2005</u>	<u>2004</u>
Program Services:		
Grants for land acquisitions and related costs	\$ 2,517	\$ 153,313
Other services	49,381	41,989
Land Acquisitions	<u>389,511</u>	<u>-</u>
Total	<u>\$ 441,409</u>	<u>\$ 195,302</u>

FRIENDS OF RADNOR LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of December 31:

	<u>2005</u>	<u>2004</u>
Total unexpended grant from City of Oak Hill - see detail below	\$ -	\$ 293,352
Unexpended contributions restricted for specific purposes:		
Other land acquisitions	142,495	157,961
Technology equipment and training	51	1,649
Oral History Fund	594	-
Netherton Video	713	-
Deer and coyote study	<u>-</u>	<u>2,042</u>
	<u>\$ 143,853</u>	<u>\$ 455,004</u>

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) ⁽¹⁾	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>

(1) Includes option payments made on Oman property and other related costs.

FRIENDS OF RADNOR LAKE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Changes in temporarily restricted net assets for the year ended December 31, 2004 were as follows:

	<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	\$ 288,966	\$ 4,386	\$ -	\$ 293,352
Contributions restricted for specific purposes:				
Other land acquisitions	22,870	288,404	(153,313) ⁽²⁾	157,961
Technology equipment and training	1,259	3,975	(3,585)	1,649
Junior ranger program	-	1,000	(1,000)	-
Eagle scout projects	-	5,000	(5,000)	-
Netherton video	-	2,500	(2,500)	-
Deer and coyote study	-	5,000	(2,958)	2,042
	<u>\$ 313,095</u>	<u>\$ 310,265</u>	<u>\$(168,356)</u>	<u>\$ 455,004</u>

(2) Includes land grant made to the State of Tennessee toward the purchase of six lots in the High Ridge (Radnor Glen) subdivision.

NOTE 6 - CONCENTRATION OF CREDIT RISK

A grant from the City of Oak Hill comprised 18% of FORL's revenue and support in 2005. A grant from the City of Forrest Hills comprised 12% of revenue and support in 2004.

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, 2005 AND 2004

NOTE 7 - RESTATEMENT OF PRIOR YEAR

A prior period adjustment has been made to unrestricted net assets as of January 1, 2005 and 2004, and the 2004 financial statements have been restated, in order to recognize accounts receivable for license plate fees. The effects of the restatement were (i) to increase assets and unrestricted net assets by \$16,728 and \$22,878 as of January 1, 2005 and 2004, respectively, and (ii) to decrease revenues and the change in net assets by \$6,150 for the year ended December 31, 2004. Schedules summarizing the restatement of net assets as of the beginning of each year follows:

	<u>2005</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
BALANCE - BEGINNING OF YEAR, as previously reported	\$ 834,735	\$ 455,004	\$ 1,289,739
Prior period adjustment:			
To record accounts receivable for license plate fees	<u>16,728</u>	<u>-</u>	<u>16,728</u>
BALANCE - BEGINNING OF YEAR, as restated	<u>\$ 851,463</u>	<u>\$ 455,004</u>	<u>\$ 1,306,467</u>
	<u>2004</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
BALANCE - BEGINNING OF YEAR, as previously reported	\$ 762,660	\$ 313,095	\$ 1,075,755
Prior period adjustment:			
To record accounts receivable for license plate fees	<u>22,878</u>	<u>-</u>	<u>22,878</u>
BALANCE - BEGINNING OF YEAR, as restated	<u>\$ 785,538</u>	<u>\$ 313,095</u>	<u>\$ 1,098,633</u>