

THE LAND TRUST FOR TENNESSEE, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

MARCH 31, 2018 AND 2017

THE LAND TRUST FOR TENNESSEE, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

MARCH 31, 2018 AND 2017

TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1 - 2 |
| FINANCIAL STATEMENTS | |
| Statements of Financial Position..... | 3 |
| Statements of Activities | 4 |
| Statements of Cash Flows..... | 5 |
| Statements of Functional Expenses | 6 |
| Notes to Financial Statements..... | 7 - 27 |

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Land Trust for Tennessee, Inc.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of The Land Trust for Tennessee, Inc., which comprise the statements of financial position as of March 31, 2018 and 2017, and related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Knytt CPAs PLLC

Nashville, Tennessee

October 4, 2018

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2018 AND 2017

| | <u>2018</u> | <u>2017</u> |
|--|----------------------|----------------------|
| <u>ASSETS</u> | | |
| Cash and cash equivalents: | | |
| Operating funds without restriction or designation | \$ 445,384 | \$ 247,003 |
| Operating funds with donor restrictions | 1,844,177 | 4,196,548 |
| Operating funds with board designations | 1,130,797 | 2,076,767 |
| Contributions receivable: | | |
| Operating receivables without restriction or designation | 144,843 | 335,438 |
| Operating receivables with board designation | 113,583 | - |
| Land acquisitions | 5,808 | 6,809 |
| Stewardship | 98,065 | 74,090 |
| Accounts receivable | 9,243 | 50,936 |
| Prepaid expenses and other | 42,172 | 42,445 |
| Investments: | | |
| Investments with donor restrictions | 3,672,299 | 1,100,562 |
| Investments with board designations | 3,404,633 | 2,214,798 |
| Furniture and equipment, net | 31,072 | 19,570 |
| Real estate: | | |
| Glen Leven estate property | 4,679,257 | 4,485,816 |
| Protected land | 2,814,771 | 2,252,471 |
| Property bequest receivable | - | 210,000 |
| Funds held on behalf of others | <u>1,750</u> | <u>2,025</u> |
| TOTAL ASSETS | <u>\$ 18,437,854</u> | <u>\$ 17,315,278</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| LIABILITIES | | |
| Accounts payable | \$ 52,101 | \$ 34,641 |
| Accrued expenses | 93,027 | 36,613 |
| Funds held on behalf of others | <u>1,750</u> | <u>2,025</u> |
| TOTAL LIABILITIES | <u>146,878</u> | <u>73,279</u> |
| NET ASSETS | | |
| Unrestricted: | | |
| Designated for protected land | 2,814,771 | 2,252,471 |
| Board-designated endowment - Ashby Fund | 2,659,525 | 2,568,065 |
| Board designations - other | 1,989,488 | 1,723,500 |
| Undesignated | <u>881,947</u> | <u>1,217,643</u> |
| Total unrestricted | 8,345,731 | 7,761,679 |
| Temporarily restricted | <u>9,945,245</u> | <u>9,480,320</u> |
| TOTAL NET ASSETS | <u>18,290,976</u> | <u>17,241,999</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 18,437,854</u> | <u>\$ 17,315,278</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, 2018 AND 2017

| | 2018 | | |
|--|---------------------|---------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Total |
| REVENUES AND SUPPORT | | | |
| Contributions, public support and other: | | | |
| Individuals, foundations and other | \$ 1,792,699 | \$ 646,892 | \$ 2,439,591 |
| Easement and land acquisition assistance | - | 168,121 | 168,121 |
| Stewardship contributions | - | 202,169 | 202,169 |
| Donated goods and services | 61,205 | - | 61,205 |
| Special events | 281,113 | - | 281,113 |
| Less: direct benefits to donors | (63,317) | - | (63,317) |
| Loss on sale of impaired real estate | - | - | - |
| Interest and dividend income | 45,601 | - | 45,601 |
| Net realized and unrealized gain (loss) on investments | 120,769 | - | 120,769 |
| Rental income | 150 | - | 150 |
| Net assets released from restrictions | <u>552,257</u> | <u>(552,257)</u> | <u>-</u> |
| TOTAL REVENUES AND SUPPORT | <u>2,790,477</u> | <u>464,925</u> | <u>3,255,402</u> |
| EXPENSES | | | |
| Program services | 1,859,259 | - | 1,859,259 |
| Supporting services: | | | |
| Administration | 154,693 | - | 154,693 |
| Fundraising | <u>192,473</u> | <u>-</u> | <u>192,473</u> |
| TOTAL EXPENSES | <u>2,206,425</u> | <u>-</u> | <u>2,206,425</u> |
| CHANGE IN NET ASSETS | 584,052 | 464,925 | 1,048,977 |
| NET ASSETS - BEGINNING OF YEAR | <u>7,761,679</u> | <u>9,480,320</u> | <u>17,241,999</u> |
| NET ASSETS - END OF YEAR | <u>\$ 8,345,731</u> | <u>\$ 9,945,245</u> | <u>\$ 18,290,976</u> |

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

| 2017 | | |
|---------------------|---------------------------|----------------------|
| Unrestricted | Temporarily Restricted | Total |
| \$ 1,306,331 | \$ 769,060 | \$ 2,075,391 |
| - | 1,107,526 | 1,107,526 |
| - | 265,771 | 265,771 |
| 69,198 | - | 69,198 |
| 316,222 | - | 316,222 |
| (74,996) | - | (74,996) |
| (1,498,758) | - | (1,498,758) |
| 54,132 | - | 54,132 |
| 191,500 | - | 191,500 |
| 1,452 | - | 1,452 |
| <u>491,623</u> | <u>(491,623)</u> | <u>-</u> |
| <u>856,704</u> | <u>1,650,734</u> | <u>2,507,438</u> |
| 2,482,672 | - | 2,482,672 |
| 201,198 | - | 201,198 |
| <u>163,093</u> | <u>-</u> | <u>163,093</u> |
| <u>2,846,963</u> | <u>-</u> | <u>2,846,963</u> |
| (1,990,259) | 1,650,734 | (339,525) |
| <u>9,751,938</u> | <u>7,829,586</u> | <u>17,581,524</u> |
| <u>\$ 7,761,679</u> | <u>\$ 9,480,320</u> | <u>\$ 17,241,999</u> |

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| OPERATING ACTIVITIES | | |
| Change in net assets | \$ 1,048,977 | \$ (339,525) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 58,707 | 55,516 |
| Net realized and unrealized gain on investments | (120,769) | (191,500) |
| Loss on sale of impaired real estate | - | 1,498,758 |
| Loss on sale of furniture and equipment | - | 934 |
| Protected land received | (210,000) | - |
| (Increase) decrease in: | | |
| Contributions receivable | 54,038 | (114,812) |
| Accounts receivable | 41,693 | 32,250 |
| Prepaid expenses and other | 273 | 13,445 |
| Property bequest receivable | 210,000 | - |
| Other assets | 275 | - |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 73,599 | (1,650) |
| TOTAL ADJUSTMENTS | <u>107,816</u> | <u>1,292,941</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>1,156,793</u> | <u>953,416</u> |
| INVESTING ACTIVITIES | | |
| Purchase of furniture and equipment | (30,692) | (8,380) |
| Purchase of protected land | (352,300) | (238,000) |
| Payment for Glen Leven renovations | (232,958) | - |
| Proceeds from transfer of financially facilitated land project | - | 671,003 |
| Proceeds from sale of protected land | - | 1,236,459 |
| Purchases of investments | <u>(3,640,803)</u> | <u>(30,382)</u> |
| NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES | <u>(4,256,753)</u> | <u>1,630,700</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (3,099,960) | 2,584,116 |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>6,520,318</u> | <u>3,936,202</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 3,420,358</u> | <u>\$ 6,520,318</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, 2018 AND 2017

| | 2018 | | | | |
|---|----------------------------|--------------------------|--------------------------|--------------------------|----------------------------|
| | Program | Supporting Services | | | |
| | Services | Administration | Fundraising | Total | Total |
| Salaries and related benefits | \$ 1,148,791 | \$ 97,635 | \$ 95,336 | \$ 192,971 | \$ 1,341,762 |
| Computer expense | 24,642 | 2,904 | 1,507 | 4,411 | 29,053 |
| Depreciation | 52,933 | 5,774 | - | 5,774 | 58,707 |
| Development/fundraising | 16,918 | 2,265 | 1,176 | 3,441 | 20,359 |
| Dues and subscriptions | 5,937 | 1,271 | 660 | 1,931 | 7,868 |
| Easement and land acquisition assistance | 113,322 | - | - | - | 113,322 |
| Easement preparation | 4,630 | 172 | 90 | 262 | 4,892 |
| Education and outreach | 10,455 | 1,340 | 696 | 2,036 | 12,491 |
| Events: | | | | | |
| Related costs | - | - | 115,291 | 115,291 | 115,291 |
| Donated goods and services | - | - | 17,719 | 17,719 | 17,719 |
| Office expenses | 30,951 | 4,026 | 2,092 | 6,118 | 37,069 |
| Insurance | 53,949 | 3,736 | 1,939 | 5,675 | 59,624 |
| Marketing and public relations | 8,517 | 1,499 | 778 | 2,277 | 10,794 |
| Occupancy | 138,228 | 20,609 | 10,698 | 31,307 | 169,535 |
| Printing and publication | - | - | - | - | - |
| Professional services: | | | | | |
| Donated | 27,470 | - | - | - | 27,470 |
| Other | 30,386 | 6,849 | 3,555 | 10,404 | 40,790 |
| Stewardship | 254 | - | - | - | 254 |
| Taxes, licenses and fees | 4,779 | 1,494 | 775 | 2,269 | 7,048 |
| Telephone and utilities | 28,734 | 3,114 | 1,617 | 4,731 | 33,465 |
| Transaction assistance | 121,634 | - | - | - | 121,633 |
| Travel and entertainment | 36,729 | 2,005 | 1,861 | 3,866 | 40,596 |
| TOTAL EXPENSES | 1,859,259 | 154,693 | 255,790 | 410,483 | 2,269,742 |
| Less expenses included with revenues on the statement of activities - direct benefits to donors | - | - | (63,317) | (63,317) | (63,317) |
| TOTAL EXPENSES INCLUDED IN EXPENSES SECTION OF STATEMENT OF ACTIVITIES | <u>\$ 1,859,259</u> | <u>\$ 154,693</u> | <u>\$ 192,473</u> | <u>\$ 347,166</u> | <u>\$ 2,206,425</u> |

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

2017

| Program Services | Supporting Services | | | Total |
|---------------------|---------------------|-------------------|-------------------|---------------------|
| | Administration | Fundraising | | |
| \$ 852,169 | \$ 135,623 | \$ 52,935 | \$ 188,558 | \$ 1,040,727 |
| 21,453 | 3,612 | 2,679 | 6,291 | 27,744 |
| 53,308 | 1,268 | 940 | 2,208 | 55,516 |
| 17,973 | 2,129 | 1,580 | 3,709 | 21,682 |
| 3,759 | 1,098 | 814 | 1,912 | 5,671 |
| 925,422 | - | - | - | 925,422 |
| 27,021 | 196 | 145 | 341 | 27,362 |
| 7,317 | 424 | 314 | 738 | 8,055 |
| 35,143 | - | 135,988 | 135,988 | 171,131 |
| - | - | - | - | - |
| 20,595 | 4,691 | 3,479 | 8,170 | 28,765 |
| 56,405 | 5,886 | 4,365 | 10,251 | 66,656 |
| 9,318 | 1,890 | 1,401 | 3,291 | 12,609 |
| 101,264 | 22,209 | 16,715 | 38,924 | 140,188 |
| 6 | 2 | 2 | 4 | 10 |
| 48,984 | - | - | - | 48,984 |
| 13,676 | 15,130 | 11,221 | 26,351 | 40,027 |
| 4,213 | 32 | 24 | 56 | 4,269 |
| 6,497 | 738 | 547 | 1,285 | 7,782 |
| 21,833 | 3,292 | 2,449 | 5,741 | 27,574 |
| 200,861 | 1,244 | 923 | 2,167 | 203,028 |
| 55,455 | 1,734 | 1,568 | 3,302 | 58,757 |
| 2,482,672 | 201,198 | 238,089 | 439,287 | 2,921,959 |
| - | - | (74,996) | (74,996) | (74,996) |
| <u>\$ 2,482,672</u> | <u>\$ 201,198</u> | <u>\$ 163,093</u> | <u>\$ 364,291</u> | <u>\$ 2,846,963</u> |

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE 1 - GENERAL

The Land Trust for Tennessee, Inc. (the “Organization”) is a Tennessee not-for-profit organization, incorporated on January 15, 1999, whose mission is to preserve the unique character of Tennessee’s natural and historic landscapes and sites for future generations.

The Organization works with partners at the federal, state and local level to assist landowners, citizen groups and other interested parties to preserve forever the scenic and natural values of land throughout the state. Lands protected include private land, public parks and open spaces. The main tool for ensuring this preservation is a conservation easement. As of March 31, 2018, the Organization has completed conservation transactions protecting 122,609 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 scenic, wildlife or agricultural resources. The restrictions usually limit the number of future home sites and can limit other uses as well. 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”).

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.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

- *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, 2018 and 2017.

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 restricted by the donor for future periods or 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.

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. In 2018 and 2017, management considered this amount to be immaterial, and it was not recorded. 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.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bequests

When a will is declared valid, the Organization recognizes the bequest receivable and revenue at the estimated realizable value of its interest in the estate.

Investments

Investments consist of money market accounts, mutual funds, exchange traded funds, equities, options and hedge funds. Money market accounts are carried at cash value plus accrued interest. Bond funds, exchange traded funds, equities, options and hedge funds are carried at their quoted market value on the last business day of the reporting period. Interest and dividends, as well as changes in unrealized gains and losses, are recognized currently in the Statement of Activities.

Furniture and Equipment

Furniture 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.

Real Estate

Real estate is reported at cost at the date of purchase or at estimated fair value at the date of the gift to the Organization and any additional improvements made by the Organization.

Real Estate Impairment

Real estate is reviewed for impairment when events or circumstances indicate that the carrying values may not be recoverable. If any such indicators are present and where the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is written down to its recoverable amount through the Statement of Activities.

Board Designated Net Assets

The Board of Directors has established several Board designated funds: the Ashby Fund as an endowment to generate revenue and capital growth, an Operating Reserve for use in emergencies to sustain financial operations, a Working Capital Fund to meet the ebbs and flows during the year, and a Revolving Fund to assist with the acquisition of land over short periods of approximately 24-36 months. In addition, the proceeds from the sales of donated land are split among the Board designated funds per policy that includes a portion for special projects. 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

MARCH 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Board Designated Net Assets (Continued)

Board designated funds consisted of the following at March 31:

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Board-designated endowment - Ashby Fund | <u>\$ 2,659,525</u> | <u>\$ 2,568,065</u> |
| Operating Reserve Fund | \$ 375,073 | \$ 375,000 |
| Working Capital Fund | 300,000 | 300,000 |
| Revolving Fund | 628,234 | 626,506 |
| JCN Legacy Fund | 636,840 | 372,594 |
| Proceeds from sale of donated land reserved for special projects | <u>49,341</u> | <u>49,400</u> |
| Total board designations - other | <u>\$ 1,989,488</u> | <u>\$ 1,723,500</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 agricultural, 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 floral 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 hold conservation easements, tracts in fee, obtain options and perform due diligence.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. When the Organization obtains an easement on property that is acquired or donated, the change in market value of the property is recorded as a program expense.

Recent Authoritative Accounting Guidance

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09 *Revenue from Contracts with Customers*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions,” and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Authoritative Accounting Guidance (Continued)

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 is effective for annual periods beginning after December 15, 2017 and interim periods within those fiscal years. ASU 2016-18 must be applied using a retrospective transition method with early adoption permitted. The Organization is currently evaluating the impact of the adoption of this guidance on its financial statements.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between March 31, 2018 and October 4, 2018, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of March 31:

| | <u>2018</u> | <u>2017</u> |
|---------------------------|-------------------|-------------------|
| Due in less than one year | \$ 132,540 | \$ 384,757 |
| Due in one to five years | <u>229,759</u> | <u>31,580</u> |
| | <u>\$ 362,299</u> | <u>\$ 416,337</u> |

NOTE 4 - BEQUESTS

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 Organization intends to obtain restrictions to ensure the appropriate conservation of this property. The property bequest was recorded at \$210,000, the estimated fair value without the contemplated restrictions. The property plans to sell the property with a conservation easement in place. During 2017, the Organization received the title to this property.

During 2017, the Organization received 149 acres by will with restrictions. This forestland is located in both Clay and Overton Counties and will be protected with a conservation easement upon resale. The bequest was recorded at \$325,000, the estimated fair value at the date the will was declared valid. During 2017, the Organization received the title to this property.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE 5 - INVESTMENTS

Investments consisted of the following at March 31:

| | <u>2018</u> | <u>2017</u> |
|-----------------------|---------------------|---------------------|
| Money market accounts | \$ 2,598,250 | \$ 238,063 |
| Mutual funds | 956,161 | 1,086,172 |
| Exchange traded funds | 2,828,766 | 1,056,107 |
| Equities | 681,350 | 692,182 |
| Put and call options | (14,598) | (25,756) |
| Hedge fund | <u>27,003</u> | <u>268,592</u> |
| | <u>\$ 7,076,932</u> | <u>\$ 3,315,360</u> |

NOTE 6 - FAIR VALUE MEASUREMENTS

The Organization classifies its investments based on a hierarchy consisting of: Level 1 (valued using quoted prices in active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available) and Level 3 (valued based on significant unobservable inputs).

An asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Equities are valued at closing price reported on the active market on which the individual funds are traded.

Mutual funds and exchange traded funds are valued using the net asset value per unit as quoted in active markets at the valuation date.

Put and call options are valued on the basis of information provided by pricing services that employ valuation matrices that may incorporate both broker/dealer-supplied valuations, as well as valuation models reflecting such factors as benchmark yields, reported trades, broker/dealer quotes, bid/offer data and other relevant elements.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE 6 - FAIR VALUE MEASUREMENTS (CONTINUED)

The hedge fund is valued utilizing the net asset valuations provided by the underlying private investment companies and/or their administrators. Fund management may also consider alternative valuation techniques, if it is probable that an investment will be sold at an amount other than net asset value. Certain investments in the funds, where values are not readily available, are determined in good faith by the investment advisors of those respective funds. Other factors may also be considered, in addition to the net asset valuation, such as features of the investment, including subscription and redemption rights, expected discounted cash flows, transactions in the secondary market, bids received from potential buyers, and overall market conditions in the determination of fair value.

There have been no changes in the methodologies used at March 31, 2018 and 2017.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization's valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE 6 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth the Organization's major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy as of March 31:

| | 2018 | | | |
|--|--|---|--|---------------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Investments | | | | |
| Money market accounts | \$ 2,598,250 | \$ - | \$ - | \$ 2,598,250 |
| Mutual funds - short-term bond funds | 956,161 | - | - | 956,161 |
| Equities: | | | | |
| Basic materials | 38,683 | - | - | 38,683 |
| Consumer goods | 163,061 | - | - | 163,061 |
| Financial | 120,967 | - | - | 120,967 |
| Healthcare | 59,965 | - | - | 59,965 |
| Industrial goods | 104,488 | - | - | 104,488 |
| Services | 52,181 | - | - | 52,181 |
| Technology | 90,568 | - | - | 90,568 |
| Utilities | 23,179 | - | - | 23,179 |
| Energy | 28,258 | - | - | 28,258 |
| Put and call options | - | (14,598) | - | (14,598) |
| Exchange traded funds: | | | | |
| Diversified emerging markets | 184,358 | - | - | 184,358 |
| Europe stock | 161,000 | - | - | 161,000 |
| Foreign large blend | 219,570 | - | - | 219,570 |
| Commodities | 57,464 | - | - | 57,464 |
| Bank loan | 28,757 | - | - | 28,757 |
| Large blend | 1,640,288 | - | - | 1,640,288 |
| Energy Limited Partnership | 65,955 | - | - | 65,955 |
| Trading - miscellaneous | 471,374 | - | - | 471,374 |
| Total investments in the fair value hierarchy | <u>\$ 7,064,527</u> | <u>\$ (14,598)</u> | <u>\$ -</u> | 7,049,929 |
| Total investments measured at net asset value (a) | | | | <u>27,003</u> |
| Total investments | | | | <u>\$ 7,076,932</u> |

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE 6 - FAIR VALUE MEASUREMENTS (CONTINUED)

| | 2017 | | | |
|--|--|---|--|---------------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
| Investments | | | | |
| Money market accounts | \$ 238,063 | \$ - | \$ - | \$ 238,063 |
| Mutual funds - short-term bond funds | 1,086,172 | - | - | 1,086,172 |
| Equities: | | | | |
| Basic materials | 75,620 | - | - | 75,620 |
| Consumer goods | 145,390 | - | - | 145,390 |
| Financial | 126,105 | - | - | 126,105 |
| Healthcare | 67,703 | - | - | 67,703 |
| Industrial goods | 50,996 | - | - | 50,996 |
| Services | 63,262 | - | - | 63,262 |
| Technology | 120,902 | - | - | 120,902 |
| Utilities | 30,814 | - | - | 30,814 |
| Other equities | 11,390 | - | - | 11,390 |
| Put and call options | - | (25,756) | - | (25,756) |
| Exchange traded funds: | | | | |
| Diversified emerging markets | 114,393 | - | - | 114,393 |
| Europe stock | 103,140 | - | - | 103,140 |
| Foreign large blend | 147,375 | - | - | 147,375 |
| Large blend | 656,412 | - | - | 656,412 |
| Energy Limited Partnership | 14,731 | - | - | 14,731 |
| Trading - miscellaneous | 20,056 | - | - | 20,056 |
| Total investments in the fair value hierarchy | <u>\$ 3,072,524</u> | <u>\$ (25,756)</u> | <u>\$ -</u> | 3,046,768 |
| Total investments measured at net asset value (a) | | | | <u>268,592</u> |
| Total investments | | | | <u>\$ 3,315,360</u> |

(a) In accordance with Accounting standards Codification Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or the equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE 6 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes investments for which fair value is measured using the net asset per share practical expedient:

| Investment | Fair Value at March 31, 2018 | Fair Value at March 31, 2017 | Unfunded Commitment at March 31, 2018 | Redemption Frequency | Redemption Notice Period |
|-------------------------------------|------------------------------------|------------------------------------|--|-------------------------|-----------------------------|
| FEG Absolute Access TEI Fund LLC | \$27,003 | \$268,592 | \$0 | Semiannually | 95 days |

The FEG Absolute Access TEI Fund LLC's (the "Fund") objective is to achieve capital appreciation in both rising and falling markets, although there can be no assurance that the Fund will achieve this objective.

NOTE 7 - FURNITURE AND EQUIPMENT

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

| | <u>2018</u> | <u>2017</u> |
|-----------------------------------|------------------|------------------|
| Furniture, fixtures and equipment | \$ 43,361 | \$ 39,255 |
| Computers and software | <u>72,230</u> | <u>57,529</u> |
| | 115,591 | 96,784 |
| Less: accumulated depreciation | <u>(84,519)</u> | <u>(77,214)</u> |
| Furniture and equipment, net | <u>\$ 31,072</u> | <u>\$ 19,570</u> |

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE 8 - 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 decedents will place significant restrictions on the use of this property or the proceeds in the event of its sale.

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>2018</u> | <u>2017</u> |
|-------------------------|------------------|------------------|
| Insurance | \$ 12,966 | \$ 11,505 |
| Taxes | 910 | 1,080 |
| Repairs and maintenance | 37,925 | 21,601 |
| Utilities and other | 12,000 | 6,993 |
| Professional fees | 12,600 | 130 |
| Outreach | 2,032 | 2,329 |
| Supplies | 1,735 | 6,952 |
| Computer and technology | <u>1,399</u> | <u>2,618</u> |
| | <u>\$ 81,567</u> | <u>\$ 53,208</u> |

Glen Leven Farm hosted a myriad of events and activities during 2017 and 2018 that support the mission of the Organization. The facility is now a center for both internal and external programs including board, staff and committee meetings; volunteer workshops for the stewardship program; educational programs about agriculture, land conservation and wildlife; and other events that are open to the public. As discussed in Note 14, the Nashville office moved to Glen Leven Farm in April 2018.

NOTE 9 - PROTECTED LAND

Protected land consists of tracts of land purchased by the Organization that are being held subject to significant deed restrictions consistent with the Organization's mission. 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. Four other tracts of land totaling \$800,300 comprise the remaining balance of protected land.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE 9 - PROTECTED LAND (CONTINUED)

In 2012, the Organization received a contribution from a donor-advised fund that was restricted for the Organization's Easement and Acquisition Fund for Marshall and Giles counties. These funds were used to purchase a tract of land in Marshall County for \$2,615,517. As discussed in Note 10, the land purchased in Marshall County had an easement placed on it in 2017 and was then sold at \$1,350,000 during the year ended March 31, 2017.

NOTE 10 - REAL ESTATE IMPAIRMENT

The Organization wrote down the value of two pieces of property, for the year ended March 31, 2017, due to a conservation easement being placed on those properties during the fiscal year. As a result of the conservation easement, the land is considered burdened and was written down to reflect its fair value. The Marshall County property and the Durm property were written down in value in 2017 by \$1,379,058 and \$119,700, respectively, and were subsequently sold.

NOTE 11 - PROGRAM ACCOMPLISHMENTS

The Organization utilizes its revolving fund and donations from individuals, foundations and government sources to facilitate land purchases for and by third parties and to provide transaction assistance for donated conservation easements. Listed below is a summary of the impact of those various program services.

Easements and Land Acquisition Expenses - Conservation Transactions

In 2018, the Organization expended approximately \$113,000 (\$925,000 in 2017) toward the completion of conservation easements and land acquisition projects. The Organization recorded \$121,633 (\$203,028 in 2017) costs related to the purchase and/or facilitation of these land projects, including surveys, closing or other settlement costs, as transaction assistance expenses. These costs, reported as easement and land acquisition assistance, are either reimbursed to the Organization at closing or are prepaid by a partner organization or agency.

Facilitated Projects: During 2016, the Organization purchased 150 acres for \$790,703 (purchase price plus associated due diligence) for the creation of a new State Natural Area. This property was acquired in September 2015 and was sold to the State of Tennessee as of the year ended March 31, 2017. During 2017 and 2018, the Organization assisted with the acquisition of 10,671 acres of forestland through seven projects in partnership with the State of Tennessee through the TN Wildlife Resources Agency and TN Department of Environment and Conservation.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE 11 - PROGRAM ACCOMPLISHMENTS

Easements and Land Acquisition Expenses - Conservation Transactions (Continued)

Purchased Easements: During 2017 and 2018, the Organization partnered with the Department of Defense at Ft. Campbell through their Army Compatible Use Buffer Program (ACUB) to purchase conservation easements to protect five properties, including 241 acres of farmland, 4 acres of open space and 613 acres of forestland in Montgomery County. These conservation easements will protect in perpetuity, significant prime agricultural soils, water resources, habitat for rare and endangered species and open space in one of the most rapidly developing areas in Tennessee. According to the Department of Defense, the ACUB program maximizes military readiness while efficiently conserving valuable ecosystems around military bases.

Donated Easements: The Organization's primary tool for protecting land is the donated conservation easement, a voluntary legal agreement that limits development in order to protect the property's conservation values. Using this tool, the Organization worked with willing landowners to permanently protect 7,857 acres throughout Tennessee, including 3,527 acres in farmland, 4,085 in forestland and 242 in open space, including the permanent protection of 185 acres of public parkland in Knoxville. The Organization also helped protect 1,993 acres of farmland in Kentucky in 2017 and 2018.

Bequests: During 2008, pursuant to a testamentary bequest from an estate, the Organization received 12 acres of unimproved land in Wilson County, Tennessee. The property title was ultimately transferred to the Organization in 2017. The Organization intends to restrict the property to ensure the appropriate conservation of this property. The property bequest receivable was recorded at \$210,000, the estimated fair value without the contemplated restrictions. The organization plans to sell the property with a conservation easement in place. In fiscal year 2018, the Organization received 149 acres by will with restrictions. This forestland is located in both Clay and Overton Counties and will be protected with a conservation easement before resale.

Other Fee Title / Donated Property: The Organization received funding from the Department of Defense at Ft. Campbell to purchase 8 acres of open space in the high-noise priority zone near Ft. Campbell in Montgomery County. The Organization plans to sell the property with a conservation easement in place with funds going toward future Ft. Campbell/ACUB transactions. The Organization also received .4 acres of open space in Hamilton County from the Chattanooga Regional History Museum. Located on Signal Mountain, the property includes an historic log building and is listed in the National Register of Historic Places. Funding has been secured to cover due diligence and improvements to the property. The Organization plans to continue to own the property as a model project and gathering place for the Southeast Region.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE 11 - PROGRAM ACCOMPLISHMENTS

Transactions 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 2017, the Organization expended approximately \$122,000 (\$203,000 in 2017) from this fund to assist with transaction costs incurred for conservation transactions (easements or other methods).

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 339 easements it currently holds, representing a total of 91,663 acres.

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.

The Organization is also a member of Terrafirma RRG, LLC that was formed by The Land Trust Alliance providing a liability insurance program to defend threatened conservation values of easements and conserved lands from legal challenges.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

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

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Contributions receivable for future years' operations | \$ 79,000 | \$ 61,971 |
| Frist Foundation grant for office relocation | - | 100,000 |
| Land protection activities: | | |
| South Cumberland Plateau and Sequatchie Valley regions | 266,425 | 350,738 |
| North Davidson County, Robertson County, Sumner County and Northeast Tennessee | 78,466 | 98,540 |
| Williamson County | 68,833 | 64,873 |
| West Tennessee | - | 2,823 |
| Humphreys County | 156,692 | 172,696 |
| Shelby Farms | 33,439 | 34,153 |
| Wildlife | 4,000 | 4,613 |
| Duck River | 99,921 | 43,266 |
| Tennessee Department of Agriculture | 1,370 | - |
| Ft. Campbell ACUB program | 8,339 | 72,292 |
| Tennessee Farmland | 15,736 | - |
| Bonnaroo | 6,424 | 1,956 |
| Lynchburg | 91,554 | - |
| Stewardship and protection: | | |
| Stewardship funds for monitoring and enforcement of protected properties | 2,872,515 | 2,483,518 |
| Transaction assistance funds for landowners | 52,516 | 59,833 |
| Easement and land acquisition funds | 1,782,566 | 1,861,607 |
| Real estate: | | |
| Conner Toll House | 15,390 | - |
| Glen Leven estate property | 3,700,000 | 3,700,000 |
| Glen Leven estate stabilization, operations, maintenance and capital campaign | 77,059 | 157,441 |
| Westrick property | 325,000 | - |
| Wilson County unimproved land | 210,000 | 210,000 |
| | <u>\$ 9,945,245</u> | <u>\$ 9,480,320</u> |

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE 13 - BOARD-DESIGNATED ENDOWMENT FUND

The board-designated endowment fund (“Ashby Fund”) consists of funds that were transferred to the endowment by the Board of Directors. The Board of Directors anticipates these funds will remain in the endowment in perpetuity but may withdraw them for other uses. For investment purposes, the Ashby Fund is considered perpetual in nature. The Finance Committee of the Board of Directors will have the responsibility for developing and recommending policies and guidelines for the investment of the Ashby Fund.

Investment return objective, risk parameters and strategies - The Organization has adopted investment policies, approved by the Board of Directors, to establish asset allocation targets, investment objectives and guidelines and the degree of investment risk the Board of Directors deems acceptable. The purpose of the endowment fund is to generate revenue and capital growth.

Spending policy - The Organization may annually withdraw funds from the Ashby Fund provided that such withdrawals do not exceed the endowment fund’s market value earnings over the prior twelve quarters calculated as of March 31st each year less prior earning withdrawals. One-fourth of the annual spending rule amount may be withdrawn each quarter; the exact dates for which shall be determined by the Finance Committee of the Board of Directors.

A schedule of changes in the Ashby Fund follows for the years ended March 31:

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Balance, beginning of year | \$ 2,568,065 | \$ 2,420,241 |
| Investment income | 37,180 | 34,065 |
| Investment fees | (13,901) | (13,864) |
| Net appreciation (realized and unrealized) | <u>68,181</u> | <u>127,623</u> |
| Balance, end of year | <u>\$ 2,659,525</u> | <u>\$ 2,568,065</u> |

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE 14 - LEASES

In August 2014, the Organization signed a lease for its office facilities under an operating lease through August 2019 with monthly payments ranging from \$4,238 to \$7,428. The lease was noncancelable through August 2017 and could be cancelled with a 180-day notice thereafter. Rent expense on this lease was recognized on a straight-line basis. The excess rent expense recognized over the amount paid was included in accrued expenses.

The Nashville office relocated to Glen Leven Farm in April 2018. The Organization received grants to fund the extensive renovations needed. The last lease payment for the Nashville office was April 2018 for \$7,212.

Rent expense totaled \$136,687 in 2018 (\$128,220 in 2017).

NOTE 15 - 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 upon employment and to receive the employer discretionary match after two years of service. Total pension plan expense of the Organization amounted to \$13,770 in 2018 (\$14,272 in 2017).

NOTE 16 - DONATED GOODS AND SERVICES

The accompanying Statements of Activities include contributed services for legal, occupancy and various other services. Donated goods include food and beverages used at fundraising events and certain equipment.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE 16 - DONATED GOODS AND SERVICES (CONTINUED)

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

| | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|
| Events: | | |
| Goods | \$ 17,719 | \$ 3,318 |
| Printing and publicity | - | 8,750 |
| Professional services: | | |
| Public relations | 2,287 | 5,546 |
| Legal | 27,470 | 48,984 |
| Glen Leven - grounds maintenance and other | - | 2,600 |
| Other | <u>13,729</u> | <u>-</u> |
| | <u>\$ 61,205</u> | <u>\$ 69,198</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.

NOTE 17 - DONOR-DESIGNATED ENDOWMENT FUNDS IN TRUST

Two donor-designated endowment funds have 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 2018 or 2017. Total assets held in these funds approximated \$153,000 at March 31, 2018 (\$135,000 at March 31, 2017).

NOTE 18 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash accounts at reputable financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The Organization's cash balances may, at times, exceed statutory limits. The Organization has not experienced any losses in such accounts and management considers this to be a normal business risk.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE 18 - CONCENTRATION OF CREDIT RISK (CONTINUED)

Investments are subject to market risk, the risk inherent in a fluctuating market. The broker/dealer that is the custodian of the Organization's securities is covered by the Securities Investor Protection Corporation ("SIPC"), which provides protection to investors in certain circumstances such as fraud or failure of the institution. Coverage is limited to \$500,000, including up to \$250,000 in cash. The SIPC does not insure against market risk.

At March 31, 2018, contributions receivable from one source comprised 35% of total contributions receivable. Contribution receivables from three sources comprised 46% of total receivables at March 31, 2017.

Contributions from one source amount to 15% of total revenues for the year ended March 31, 2018 (contributions from two sources totaled 28% in 2017).

NOTE 19 - RELATED PARTY DISCLOSURES

Pledges totaling \$30,250 are due from five members of the Organization's Board of Directors as of March 31, 2018 (\$56,166 was due from eight members as of March 31, 2017).