

THE LAND TRUST FOR TENNESSEE, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

MARCH 31, 2010 AND 2009

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, 2010 and 2009, 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, 2010 and 2009, 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
September 21, 2010

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Cash and cash equivalents:		
Operating funds without restriction	\$ 352,048	\$ 585,356
Operating funds with donor restriction	1,350,556	1,100,764
Contributions receivable - Note 3	182,976	165,918
Accounts receivable	320,533	95,065
Prepaid expenses and other	13,025	15,696
Furniture and equipment, net - Note 4	50,088	39,493
Real estate:		
Glen Leven estate property - Note 10	3,700,000	3,700,000
Protected land - Note 12	2,224,471	2,224,471
Property bequest receivable - Note 11	402,500	-
Funds held on behalf of others	<u>10,508</u>	<u>11,540</u>
TOTAL ASSETS	<u>\$ 8,606,705</u>	<u>\$ 7,938,303</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 71,461	\$ 26,149
Accrued expenses	16,625	2,242
Funds held on behalf of others	<u>10,508</u>	<u>11,540</u>
TOTAL LIABILITIES	<u>98,594</u>	<u>39,931</u>
COMMITMENTS - Notes 6 and 15		
NET ASSETS		
Unrestricted:		
Designated for protected land - Note 12	2,224,471	2,224,471
Undesignated	<u>840,108</u>	<u>471,419</u>
Total unrestricted	3,064,579	2,695,890
Temporarily restricted - Note 13	<u>5,443,532</u>	<u>5,202,482</u>
TOTAL NET ASSETS	<u>8,508,111</u>	<u>7,898,372</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,606,705</u>	<u>\$ 7,938,303</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, 2010 AND 2009

	2010		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Contributions, public support and other:			
Individuals, foundations and other	\$ 352,660	\$ 571,973	\$ 924,633
Property bequest	402,500	-	402,500
Grants for easement transaction assistance	-	30,000	30,000
Stewardship contributions - Note 15	-	164,370	164,370
Tobacco settlement funds - Note 17	-	-	-
Donated goods and services - Note 9	102,002	-	102,002
Transaction assistance fees - Note 14	363,420	-	363,420
Special events	298,224	-	298,224
Less: direct benefits to donors	(110,826)	-	(110,826)
Other	10,000	-	10,000
Interest income	-	5,628	5,628
Net assets released from restrictions	<u>530,921</u>	<u>(530,921)</u>	<u>-</u>
 TOTAL REVENUES AND SUPPORT	 <u>1,948,901</u>	 <u>241,050</u>	 <u>2,189,951</u>
EXPENSES			
Program services	1,213,026	-	1,213,026
Supporting services:			
Administration	108,260	-	108,260
Fundraising	<u>258,926</u>	<u>-</u>	<u>258,926</u>
 TOTAL EXPENSES	 <u>1,580,212</u>	 <u>-</u>	 <u>1,580,212</u>
 CHANGE IN NET ASSETS	 368,689	 241,050	 609,739
 NET ASSETS - BEGINNING OF YEAR	 <u>2,695,890</u>	 <u>5,202,482</u>	 <u>7,898,372</u>
 NET ASSETS - END OF YEAR	 <u>\$ 3,064,579</u>	 <u>\$ 5,443,532</u>	 <u>\$ 8,508,111</u>

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

2009		
Unrestricted	Temporarily Restricted	Total
\$ 420,986	\$ 408,833	\$ 829,819
-	-	-
-	20,000	20,000
23,800	78,079	101,879
-	165,736	165,736
93,110	-	93,110
57,776	-	57,776
176,495	25,800	202,295
(81,306)	-	(81,306)
-	-	-
10,910	6,290	17,200
416,773	(416,773)	-
<u>1,118,544</u>	<u>287,965</u>	<u>1,406,509</u>
884,059	-	884,059
99,524	-	99,524
<u>199,876</u>	<u>-</u>	<u>199,876</u>
<u>1,183,459</u>	<u>-</u>	<u>1,183,459</u>
(64,915)	287,965	223,050
<u>2,760,805</u>	<u>4,914,517</u>	<u>7,675,322</u>
<u>\$ 2,695,890</u>	<u>\$ 5,202,482</u>	<u>\$ 7,898,372</u>

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 609,739	\$ 223,050
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated computer software and equipment	(14,513)	-
Depreciation	15,072	14,516
(Increase) decrease in:		
Contributions receivable	(17,058)	(100,721)
Accounts receivable	(225,468)	(91,813)
Prepaid expenses and other	2,671	1,305
Property bequest receivable	(402,500)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>59,695</u>	<u>(7,997)</u>
TOTAL ADJUSTMENTS	<u>(582,101)</u>	<u>(184,710)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	27,638	38,340
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of furniture and equipment	<u>(11,154)</u>	<u>(3,973)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,484	34,367
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,686,120</u>	<u>1,651,753</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,702,604</u>	<u>\$ 1,686,120</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, 2010 AND 2009

	2010				
	Program	Supporting Services			
	Services	Administration	Fundraising	Total	Total
Salaries and related fringe benefits	\$ 478,606	\$ 90,232	\$ 111,321	\$ 201,553	\$ 680,159
Computer expense	12,992	1,456	2,525	3,981	16,973
Depreciation	10,164	1,922	2,986	4,908	15,072
Development/fundraising	-	-	14,091	14,091	14,091
Dues and subscriptions	2,689	54	83	137	2,826
Easement preparation	9,944	-	-	-	9,944
Education and outreach	27,175	957	2,019	2,976	30,151
Events:					
Related costs	-	-	170,249	170,249	170,249
Donated goods and services - Note 9	-	-	44,693	44,693	44,693
Glen Leven estate property					
operating costs - Note 10	91,068	-	-	-	91,068
Office expenses	16,519	2,154	3,929	6,083	22,602
Insurance	6,458	1,222	1,897	3,119	9,577
Occupancy	43,806	5,041	7,831	12,872	56,678
Printing and publication	1,824	-	-	-	1,824
Professional services:					
Donated - Note 9	32,296	-	-	-	32,296
Other	85,765	3,731	5,795	9,526	95,291
Stewardship	7,460	-	-	-	7,460
Taxes, licenses and fees	1,065	135	210	345	1,410
Telephone	14,680	1,356	2,123	3,479	18,159
Transaction assistance - Note 14	370,515	-	-	-	370,515
TOTAL EXPENSES	1,213,026	108,260	369,752	478,012	1,691,038
Less expenses included with revenues					
on the statement of activities - direct					
benefits to donors	-	-	(110,826)	(110,826)	(110,826)
TOTAL EXPENSES INCLUDED IN					
EXPENSES SECTION OF					
STATEMENT OF ACTIVITIES	\$ 1,213,026	\$ 108,260	\$ 258,926	\$ 367,186	\$ 1,580,212

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

2009

Program Services	Supporting Services			Total
	Administration	Fundraising		
\$ 422,540	\$ 82,004	\$ 105,936	\$ 187,940	\$ 610,480
10,133	1,049	1,124	2,173	12,306
10,113	2,516	1,887	4,403	14,516
4,659	-	17,605	17,605	22,264
2,654	420	683	1,103	3,757
13,419	-	-	-	13,419
39,182	625	1,442	2,067	41,249
-	-	105,321	105,321	105,321
-	-	30,061	30,061	30,061
32,249	-	-	-	32,249
22,790	1,947	2,855	4,802	27,592
8,983	1,610	1,727	3,337	12,320
45,774	4,805	5,152	9,957	55,731
5,658	10	2,522	2,532	8,190
53,049	-	-	-	53,049
113,605	2,948	3,162	6,110	119,715
6,176	-	-	-	6,176
5,270	228	244	472	5,742
14,337	1,362	1,461	2,823	17,160
73,468	-	-	-	73,468
884,059	99,524	281,182	380,706	1,264,765
-	-	(81,306)	(81,306)	(81,306)
<u>\$ 884,059</u>	<u>\$ 99,524</u>	<u>\$ 199,876</u>	<u>\$ 299,400</u>	<u>\$ 1,183,459</u>

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2010 AND 2009

NOTE 1 - GENERAL

The Land Trust for Tennessee, Inc. (the "Organization") is a Tennessee private not-for-profit organization, incorporated on January 15, 1999, whose mission 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. This is accomplished either by donation or purchase of land and by obtaining conservation easements on land. The Organization partners with a variety of individuals and entities and works with local communities and a network of volunteers to educate the public concerning Tennessee's natural and historical resources and landowners' options for preserving these resources. The Organization is funded primarily by contributions. As of March 31, 2010, the Organization has completed conservation transactions protecting 51,471 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. 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.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2010 AND 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Resources are classified as unrestricted, temporarily restricted or permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.
- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.
- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring 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, 2010 and 2009.

Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a Replacement of FASB Statement No. 162*. This statement modifies the Generally Accepted Accounting Principles ("GAAP") hierarchy by establishing only two levels of GAAP, authoritative and nonauthoritative accounting literature. Effective July 2009, the FASB Accounting Standards Codification (the "Codification") is considered the single source of authoritative U.S. accounting and reporting standards, except for additional authoritative rules and interpretive releases issued by the Securities and Exchange Commission. Nonauthoritative guidance and literature include, among other things, FASB Concepts Statements, American Institute of Certified Public Accountants Issues Papers and Technical Practice Aids, and accounting textbooks. The Codification was developed to organize GAAP pronouncements by topic so that users can more easily access authoritative accounting guidance.

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).

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2010 AND 2009

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.

The Organization also receives grant money from the Tennessee Department of Agriculture. 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 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 (not applicable in 2010 and 2009). 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 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.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2010 AND 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 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.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2010 AND 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

On April 1, 2009, the Organization adopted new guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized. The adoption of this guidance did not have a material effect on the Organization's financial position and change in net assets.

As of March 31, 2010 and 2009, the Organization did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the years then ended.

The Organization files U.S. Federal Form 990 for organizations exempt from income tax and Form 990-T, an exempt organization business income tax return. Tax returns for years prior to fiscal year 2007 are closed.

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.

Reclassifications

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

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between March 31, 2010 and September 21, 2010, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2010 AND 2009

NOTE 3 - CONTRIBUTIONS AND CONTRIBUTIONS RECEIVABLE

At March 31, 2010, contributions receivable from four unrelated parties (including one former board member) comprised 60% of total contributions receivable. At March 31, 2009, one contribution receivable from a former board member comprised 24% of total contributions receivable. In addition, pledges totaling \$53,804 are due from 19 members of the Organization's board of directors as of March 31, 2010 (\$150,084 due from 23 members at March 31, 2009).

Contributions receivable consisted of the following as of March 31:

	<u>2010</u>	<u>2009</u>
Due in less than one year	\$ 128,476	\$ 88,241
Due in one to five years	<u>54,500</u>	<u>77,677</u>
	<u>\$ 182,976</u>	<u>\$ 165,918</u>

NOTE 4 - FURNITURE AND EQUIPMENT

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

	<u>2010</u>	<u>2009</u>
Furniture, fixtures and equipment	\$ 65,648	\$ 65,648
Computers and software	<u>54,444</u>	<u>28,777</u>
	120,092	94,425
Less: accumulated depreciation	<u>(70,004)</u>	<u>(54,932)</u>
Furniture and equipment, net	<u>\$ 50,088</u>	<u>\$ 39,493</u>

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2010 AND 2009

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 2010 or 2009. Total assets held in this fund approximated \$12,000 at March 31, 2010 (\$10,000 at March 31, 2009).

NOTE 6 - LEASES

The Organization leases its office facilities under a noncancelable operating lease, expiring August 31, 2014. Additionally, the Organization leased two satellite offices on a month-to-month basis for approximately \$600 a month. Subsequent to year end, one of these leases was renewed for a fifteen-month term ending August 2011 at \$400 a month and the second was renewed for a one-year term at \$555 a month.

Future minimum lease payments required under all noncancelable operating leases, including those signed subsequent to year end, that have remaining terms in excess of one year, are as follows:

Year ending March 31,

2011	\$ 35,600
2012	35,833
2013	36,400
2014	36,400
2015	<u>15,167</u>
	<u>\$ 159,400</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 \$10,390 in 2010 (\$4,918 in 2009).

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2010 AND 2009

NOTE 8 - CONCENTRATION OF CREDIT RISK

The Organization maintains deposit accounts at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. As of March 31, 2010, deposits at these institutions exceeded the statutory limits by approximately \$193,000.

NOTE 9 - DONATED GOODS AND SERVICES

The accompanying Statements of Activities include contributed services for legal, engineering, architectural and various other services. Donated goods include food and beverages used at fundraising events and certain equipment. In 2010, the computer software was capitalized and is included in computers and software.

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

	<u>2010</u>	<u>2009</u>
Computer software	\$ 14,513	\$ -
Events:		
Goods	15,993	14,675
Printing and publicity	28,700	15,386
Professional services:		
Public relations and branding	15,421	27,847
Biologists, geologists, graphic design, photographers and website	3,275	7,452
Legal	13,600	17,750
Occupancy - see Note 16	10,000	10,000
Fundraising	500	-
	<u>\$ 102,002</u>	<u>\$ 93,110</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, 2010 AND 2009

NOTE 10 - 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 \$1,500,000 and \$2,200,000, 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.

During 2010, the Organization received a grant from the City of Oak Hill in the amount of \$55,000 to fund a feasibility study of potential uses of the Glen Leven estate property. The costs of this study were recorded as consulting expenses and are considered direct costs of oversight of this property.

Direct costs incurred by the Organization related to this property, which are reported in program services, are as follows for the years ended March 31:

	<u>2010</u>	<u>2009</u>
Consulting	\$ 53,553	\$ -
Insurance	13,628	12,430
Repairs	1,544	1,001
Security	672	672
Taxes	1,539	10,315
Yard work	4,665	4,200
Utilities and other	3,577	3,631
Professional fees	<u>11,890</u>	<u>-</u>
	<u>\$ 91,068</u>	<u>\$ 32,249</u>

On November 6, 2009, the Organization received an exemption from property taxes for the house tract, and the 2008 and 2009 property taxes previously paid in the amount of \$20,977 were refunded to the Organization. The refunded property taxes are included in contributions in 2010.

NOTE 11 - PROPERTY BEQUEST RECEIVABLE

In 2010, the Organization was informed that it was the beneficiary of a testamentary bequest of a 100 acre tract of land in Williamson County with an estimated fair value of \$402,500. The property is expected to be transferred to the Organization during fiscal year 2011. The attorneys handling the testator's estate do not anticipate there will be any distributions prior to the transfer of title to this land. The bequest has been recognized as a contribution in the current year.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2010 AND 2009

NOTE 12 - PROTECTED LAND

Protected land at March 31, 2010 and 2009 consists of two tracts of land in Tennessee. 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. The land is being held subject to significant deed restrictions consistent with the Organization's mission.

The Organization received the Wilson County tract in 2008 pursuant to a testamentary bequest from an estate consisting of 12 acres of unimproved land in Wilson County, Tennessee. The Organization will obtain the necessary easements prior to its sale to ensure the appropriate conservation of this property. The property was recorded at \$210,000, the estimated fair value with the contemplated restrictions. Management and the Board are currently evaluating the future use of this land and anticipate the property will be sold.

NOTE 13 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2010</u>	<u>2009</u>
Future years' operations	\$ 182,976	\$ 165,918
Future fundraising events	-	25,800
Stewardship funds for monitoring and enforcement of protected properties	869,605	681,038
Land protection activities in the South Cumberland Plateau and Sequatchie Valley regions	100,531	64,749
Land conservation programs in north Davidson county, Robertson county, Sumner county and Northeast Tennessee	14,613	5,051
Land conservation program in Williamson County	80,843	-
Glen Leven estate property - Note 10	3,700,000	3,700,000
Initial set-up and monitoring of the conservation easement for Shelby Farms	51,963	59,121
Wilson County unimproved land - Note 12	210,000	210,000
Middle Tennessee wildlife conservation	25,560	-
Transaction assistance funds	207,441	269,513
Education, outreach and other land protection programs	-	21,292
	<u>\$ 5,443,532</u>	<u>\$ 5,202,482</u>

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2010 AND 2009

NOTE 14 - TRANSACTION 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 2010, the Organization expended approximately \$371,000 (\$74,000 in 2009) from this fund to assist with transaction costs incurred for conservation transactions (easements or other methods). Included in the 2010 expenditures was approximately \$203,000 paid for with state grant funds for transaction assistance related to the addition of 3,200 acres and ten linear trail miles to the Cumberland Trail State Park in a partnership with the State of Tennessee, approximately \$66,000 paid for with funds from the Metropolitan Government of Nashville and Davidson County for the development of the open space plan, and approximately \$35,000 from the Tennessee Department of Agriculture for the preservation of working farms.

NOTE 15 - 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 157 easements it currently holds.

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.

NOTE 16 - RELATED PARTY DISCLOSURES

During the year ended March 31, 2010, the Organization purchased legal services totaling \$10,471 from a law firm of which a Board member is of counsel. During the year ended March 31, 2009, the Organization purchased legal services totaling \$107,315 from a law firm of which a Board member is an owner. This individual is no longer a Board member. At March 31, 2009, \$15,321 of this amount was included in accounts payable (\$0 at March 31, 2010).

During 2010 and 2009, a Board member donated space for one satellite office valued at \$10,000. In addition, the Organization paid \$2,750 to the Board member for this satellite office space in 2010 (\$2,860 in 2009).

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2010 AND 2009

NOTE 17 - TOBACCO TRUST SETTLEMENT

In 2009, the Tennessee Tobacco Farmers Certifying Board approved the Organization to receive \$165,736 from undesignated funds of the National Tobacco Growers Settlement Trust (the "Trust"). The Trust was created in 1998 by major tobacco manufacturers to help offset losses to farmers. Funding for the program ceased in 2004 following congressional buyout of the federal tobacco quota system, and the trust account was closed out in 2009. The funds received from the trust are restricted for transactional assistance to expand the Organization's partnership with the State of Tennessee to protect critical farmlands. In 2010, approximately \$13,000 was expended for transaction assistance for preserving a working farm (none expended in 2009).