

**TENNESSEE PARKS
AND GREENWAYS FOUNDATION**

FINANCIAL STATEMENTS

Year Ended December 31, 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Tennessee Parks and Greenways Foundation
Nashville, Tennessee

We have audited the accompanying statement of financial position of Tennessee Parks and Greenways Foundation (a Tennessee nonprofit corporation) as of December 31, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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 Tennessee Parks and Greenways Foundation as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Grannis & Associates, P. C.

Murfreesboro, Tennessee
June 9, 2009

TENNESSEE PARKS AND GREENWAYS FOUNDATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2008

ASSETS

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash	\$ 309,785	\$ 552,279	\$ -	\$ 862,064
Unconditional promises to give	-	29,300	-	29,300
Deposits	525	-	-	525
Stock	-	186	-	186
Community foundation trusts	45,012	-	-	45,012
Furniture and equipment, net	14,647	-	-	14,647
Due (to) from unrestricted - Emergency Land Bank	(348,909)	348,909	-	-
Land	<u>1,101,332</u>	<u>-</u>	<u>32,000</u>	<u>1,133,332</u>
TOTAL ASSETS	<u>\$ 1,122,392</u>	<u>\$ 930,674</u>	<u>\$ 32,000</u>	<u>\$ 2,085,066</u>

LIABILITIES AND NET ASSETS

NET ASSETS				
Unrestricted	1,122,392	-	-	1,122,392
Temporarily restricted	-	930,674	-	930,674
Permanently restricted	-	-	32,000	32,000
TOTAL NET ASSETS	<u>1,122,392</u>	<u>930,674</u>	<u>32,000</u>	<u>2,085,066</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,122,392</u>	<u>\$ 930,674</u>	<u>\$ 32,000</u>	<u>\$ 2,085,066</u>

See Notes to Financial Statements

TENNESSEE PARKS AND GREENWAYS FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>SUPPORT AND REVENUES</u>				
Contributions	\$ 1,251,350	\$ 311,550	\$ -	\$ 1,562,900
Realized losses on investments	(591)	-	-	(591)
Unrealized losses on investments	(5,984)	-	-	(5,984)
Investment fees	(270)	-	-	(270)
Interest income	33,707	-	-	33,707
Gain (Loss) on sale of land	(742,637)	-	-	(742,637)
	<u>535,575</u>	<u>311,550</u>	<u>-</u>	<u>847,125</u>
Net assets released from donor restrictions	<u>368,781</u>	<u>(368,781)</u>	<u>-</u>	<u>-</u>
Total Support and Revenues	<u>904,356</u>	<u>(57,231)</u>	<u>-</u>	<u>847,125</u>
<u>FUNCTIONAL EXPENSES</u>				
Program services	479,609	-	-	479,609
Management and general	<u>85,497</u>	<u>-</u>	<u>-</u>	<u>85,497</u>
Total Functional Expenses	<u>565,106</u>	<u>-</u>	<u>-</u>	<u>565,106</u>
<u>CHANGE IN NET ASSETS</u>	<u>339,250</u>	<u>(57,231)</u>	<u>-</u>	<u>282,019</u>
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>783,142</u>	<u>987,905</u>	<u>32,000</u>	<u>1,803,047</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 1,122,392</u>	<u>\$ 930,674</u>	<u>\$ 32,000</u>	<u>\$ 2,085,066</u>

See Notes to Financial Statements

TENNESSEE PARKS AND GREENWAYS FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended December 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 282,019
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	4,367
Realized (gains) losses on investments	591
Unrealized (gains) losses on investments	5,984
Gain (Loss) on sale of land	742,637
Donated assets included in contributions	(134,116)
Grant received at closing of Campoamor	(811,936)
Decrease in promises to give	17,700
Decrease in beneficial interest in perpetual trusts	<u>137</u>
Net Cash Provided By Operating Activities	<u>107,383</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of land	663,714
Payments for purchase of land	(646,447)
Purchase of equipment	<u>(300)</u>
Net Cash Provided By Investing Activities	<u>16,967</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds on note receivable	<u>75,000</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS	199,350
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>662,714</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 862,064</u>

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the year for interest	<u>\$ 66,695</u>
Purchase of land through issuance of mortgage payable	<u>\$ 1,300,000</u>
Mortgages payable paid off upon sale of land	<u>\$ 3,000,000</u>

See Notes to Financial Statements

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Tennessee Parks and Greenways Foundation (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity.

Nature of organization

The Organization is a Tennessee nonprofit corporation chartered on July 26, 1994 as the Tennessee State Parks Foundation. The Foundation was reorganized in November 1997 as the Tennessee Parks and Greenways Foundation. Its purpose is to preserve Tennessee's natural treasures. The Organization is supported primarily by contributions.

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

- > **Unrestricted net assets** - Net assets that are not subject to donor-imposed stipulations.
- > **Temporarily restricted net assets** - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.
- > **Permanently restricted net assets** - Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally, the donors of such assets permit the Foundation to use all or part of the income earned on the assets.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise.

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

Costs are allocated between management and general or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

The Organization qualifies as a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the Organization qualifies for the charitable contribution deduction and has been classified by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Advertising

The Organization follows the policy of charging the costs of advertising to expense as incurred.

Property assets and depreciation

Property assets are those assets used in the operations of the Organization. They are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Equipment is depreciated over a range of 5 - 10 years. Maintenance and repair costs are charged to expense as incurred.

Depreciation is recorded using the straight-line method at various rates calculated to allocate the

NOTE B - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions and brokerage accounts. Cash and cash equivalents exceeding insured limits totaled \$330,139 at December 31, 2008.

NOTE C - RESTRICTIONS ON NET ASSETS

Unrestricted net assets at December 31, 2008 consist of:

Unrestricted - Undesignated	\$	838,531
Board Designated - Operating Reserve		153,861
Board Designated - Emergency Land Bank		65,000
Board Designated - Endowments for Easements		65,000
		<u>\$ 1,122,392</u>

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2008

NOTE C - RESTRICTIONS ON NET ASSETS (continued)

Temporarily restricted net assets at December 31, 2008 are available for the following purposes:

Emergency Land Bank	\$ 394,483
Cushman Ancient Site Fund	200,000
Endowments for Easements	78,150
Grants	229,955
Other	28,086
	<u>\$ 930,674</u>

Permanently restricted net assets consist of the following at December 31, 2008:

Land	<u>\$ 32,000</u>
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NOTE D - PROMISES TO GIVE

Unconditional promises to give at December 31, 2008, are as follows:

Randolph Bluff	\$ 3,700
Blackburn Fork	7,500
Easement Endowment	10,000
Other	8,100
	<u>\$ 29,300</u>
Receivable in less than one year	\$ 10,300
Receivable in one to five years	19,000
	29,300
Less allowance for uncollectible promises to give	-
Net unconditional promises to give	<u>\$ 29,300</u>

**NOTE E - FURNITURE AND EQUIPMENT AND ACCUMULATED
DEPRECIATION**

Depreciable assets:

Equipment	\$ 33,375
Less accumulated depreciation	18,728
	<u>\$ 14,647</u>

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2008

NOTE F - COMMUNITY FOUNDATION TRUSTS

The Organization is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the Organization. The Organization has legally enforceable rights and claims to such assets, including the sole right to income there from. Net realized and unrealized gains (losses) related to the beneficial interests are reported as changes in unrestricted net assets.

The fair value at December 31, 2008 of those beneficial interests were as follows:

Community Foundation of Greater Memphis	\$ 29,778
Community Foundation of Middle Tennessee	15,234
	<u>\$ 45,012</u>

NOTE G - CONSERVATION EASEMENTS

The Organization is involved in receiving donations of conservation easements. A qualified conservation easement is a restriction (that is granted in perpetuity) on the use of land granted to a qualified charitable donee exclusively for conservation purposes. These financial statements do not reflect their value, but approximately 3,326 acres are currently protected with an appraised value at the date of donation of \$9,148,424.

NOTE H - LEASE

In September 2008, the Organization renewed its lease agreement for office space for one more year. Monthly rent is currently \$645 a month. Rent expense under the operating lease was \$7,740 for the year ended December 31, 2008. Future minimum rent for 2009 is \$5,160.

NOTE I - DEFINED CONTRIBUTION PLAN

The Organization has a defined contribution plan (the Plan) covering all employees with at least three years of service. The Organization makes a contribution to the Plan each year equal to 6% of all participant's compensation. Total expense for the year ended December 31, 2008 was \$10,666.

NOTE J - EMERGENCY LAND BANK

The Organization established an internal fund called the Emergency Land Bank in 2002. The Organization uses monies from the Emergency Land Bank to provide working capital for time sensitive critical land and water projects throughout Tennessee. The money borrowed from the fund must be repaid with interest, usually within twelve months. The Organization has a total of \$659,483 set-aside or restricted for this use. Current borrowings against the Emergency Land Bank total \$348,908 leaving \$310,575 available for use as of December 31, 2008.

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2008

NOTE K - CONCENTRATION

One donation represents 65% of unrestricted contribution revenues for the year ended December 31, 2008.

NOTE L - LAND

Land consists of the following at December 31, 2008:

65.15 Acres Cheatham County - Mound Bottom	\$ 347,800
18.25 Acres Cheatham County - Eage Pass Trail	36,500
32.00 Acres Cumberland County - Braun	32,000
19.34 Acres Davidson County - Hill's Island	40,000
187.90 Acres Fentress County - Sonder	131,600
58.26 Acres Fentress County - White Oak Creek	265,000
18.90 Acres Tipton County - Randolph Bluff	280,432
	<hr/>
	\$ 1,133,332

NOTE M - LOSS ON SALE OF LAND

Gain (Loss) on sale of land consists of the following at December 31, 2008:

Devilstep Hollow	\$ 85,923
Potter Farm	(80,825)
Campoamor	(747,735)
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	\$ (742,637)

The Organization sold land at Campoamor lane to the State of Tennessee on September 8, 2008 for a loss of approximately \$747,735. This bargain sale was due to the monies provided by the Tennessee Heritage Conservation Trust Fund when the Organization purchased the property in June 2008.

NOTE N - SUBSEQUENT EVENT

Subsequent to year end the Organization received \$120,000 from a settlement the Sierra Club, Save Our Cumberland Mountains, and the Tennessee Clean Water Network entered into with Appollo Fuels, Inc. regarding Appollo's mining activity at its Jellico mine site in Claiborne County, Tennessee.

SUPPLEMENTAL INFORMATION

TENNESSEE PARKS AND GREENWAYS FOUNDATION**SCHEDULE OF FUNCTIONAL EXPENSES****Year Ended December 31, 2008**

	Program Services	Management and General
Accounting fee	\$ -	\$ 7,000
Accreditation	-	3,000
Annual report/newsletter	1,786	198
Board meeting expense	-	1,179
Commissions and fees	-	71
Conferences and workshops	791	-
Copies and faxes	1,334	199
Devilstep Hollow	8,992	-
Devilstep Hollow - Interest Expense	49,539	-
Depreciation	3,057	1,310
Feasibility study	2,000	2,000
Friends	7,070	-
Fundraising	-	11,036
Grants	1,100	-
Insurance	22,338	7,475
Land protection	24,928	-
Licenses and fees	-	3,172
Mississippi River	4,863	-
Memberships	2,971	-
Mound Bottom	7,547	-
Office supplies	4,601	688
Payroll taxes	11,312	4,848
Postage and shipping	11,871	625
Printing	5,155	770
Property tax	2,504	-
Rent	7,067	1,056
Repairs and maintenance	2,978	388
Retirement contribution	9,066	1,600
Scott's Gulf	1,482	-
Scott's Gulf - Interest Expense	17,156	-
Silent Auction	-	3,462
SPC	806	-
SPC Grants	16,800	-
Staffing	179,556	31,686
Temporary staffing	55,524	2,922
Telephone	5,557	293
Travel	7,850	413
Utilities	2,008	106
Total Functional Expenses	<u>\$ 479,609</u>	<u>\$ 85,497</u>