

2014
Financial Statements
With
Auditor's Letters

TENNESSEE PARKS AND GREENWAYS FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2014

(With Independent Auditor's Report Thereon)

TENNESSEE PARKS AND GREENWAYS FOUNDATION
FINANCIAL STATEMENTS
DECEMBER 31, 2014

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PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Tennessee Parks and Greenways Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year 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 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 from 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 Tennessee Parks and Greenways Foundation as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-matter

As discussed in Note 22 to the financial statements, the previously issued financial statements have been restated to correct certain errors. Our opinion is not modified with respect to this matter.

Patterson Hande & Bellentine

July 17, 2015

TENNESSEE PARKS AND GREENWAYS FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014

ASSETS

Current Assets:

Cash	\$ 164,200
Certificates of deposit	428,443
Prepaid expenses	1,694
Unconditional promises to give	6,300
Community Foundation Money Market	<u>29,934</u>

Total current assets \$ 630,571

Property and Equipment - net	304,688
Land held for investment	1,963,716
Collections (Note 17)	-

Assets Whose Use is Limited:

Cash	257,150
Certificates of deposit	25,041
Beneficial interest in agency endowment fund	20,274
Unconditional promises to give	8,724
Land held for investment	<u>32,000</u>

Total assets whose use is limited 343,189

\$ 3,242,164

LIABILITIES AND NET ASSETS

Current Liabilities:

Note payable - current portion	\$ 225,000
Accounts payable and accrued expenses	<u>20,763</u>
Total current liabilities	<u>\$ 245,763</u>

Net Assets:

Unrestricted Net Assets:

Unrestricted	1,615,317
Unrestricted board-designated	<u>1,037,895</u>
Total unrestricted net assets:	2,653,212

Temporarily restricted	265,874
Permanently restricted	<u>77,315</u>
Total restricted net assets	<u>343,189</u>

Total Net Assets 2,996,401

\$ 3,242,164

See accompanying notes to financial statements.

TENNESSEE PARKS AND GREENWAYS FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue:				
Contributions	\$ 536,370	\$ 196,158	\$ 5,000	\$ 737,528
Community Foundation income - net	(123)	-	257	134
In-kind revenue	24,455	-	-	24,455
Donated land	400,000	-	-	400,000
Interest income	5,610	-	-	5,610
Loss on sale of property	(31,137)	-	-	(31,137)
Miscellaneous revenue	17,723	-	-	17,723
Net assets released from restrictions	<u>247,433</u>	<u>(247,433)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>1,200,331</u>	<u>(51,275)</u>	<u>5,257</u>	<u>1,154,313</u>
Expenses:				
Program Services	537,725	-	-	537,725
Supporting services:				
Management and general	83,269	-	-	83,269
Fundraising	<u>105,232</u>	<u>-</u>	<u>-</u>	<u>105,232</u>
Total expenses	<u>726,226</u>	<u>-</u>	<u>-</u>	<u>726,226</u>
Increase (decrease) in net assets	<u>474,105</u>	<u>(51,275)</u>	<u>5,257</u>	<u>428,087</u>
Net assets - beginning of year, as previously reported	1,795,676	708,597	52,041	2,556,314
Prior period adjustment	<u>383,431</u>	<u>(391,448)</u>	<u>20,017</u>	<u>12,000</u>
Net assets - beginning of year, restated	<u>2,179,107</u>	<u>317,149</u>	<u>72,058</u>	<u>2,568,314</u>
Net assets - end of year	<u>\$ 2,653,212</u>	<u>\$ 265,874</u>	<u>\$ 77,315</u>	<u>\$ 2,996,401</u>

See accompanying notes to financial statements.

TENNESSEE PARKS AND GREENWAYS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 266,769	\$ 48,167	\$ 55,577	\$ 370,513
Employee taxes and fringe benefits	51,012	9,211	10,628	70,851
Total payroll and related expenses	317,781	57,378	66,205	441,364
Accounting	-	8,450	-	8,450
Ambassador program	317	-	-	317
Annual report/newsletter	4,740	-	-	4,740
Appraisal	3,500	-	-	3,500
Automotive	1,868	104	104	2,076
Bad debts	3,278	-	6,129	9,407
Board meetings	1,170	65	65	1,300
Computer and equipment	6,217	1,122	1,295	8,634
Conferences and workshops	4,734	-	-	4,734
Copies and faxes	1,104	199	230	1,533
Depreciation	2,378	2,378	1,189	5,945
Donor education	5,768	-	1,442	7,210
Events	10,315	-	4,421	14,736
Forever green	5,642	-	-	5,642
House maintenance	665	665	-	1,330
In-kind expense	17,118	2,446	4,891	24,455
Insurance	5,630	1,153	-	6,783
Land protection	62,084	-	-	62,084
License and fees	7,792	3,667	-	11,459
Mailing	-	-	11,053	11,053
Memberships	3,358	-	332	3,690
Mid-south greenways	2,300	-	-	2,300
Mississippi River	14,470	-	-	14,470
Monitoring	1,670	-	-	1,670
Office supplies	7,127	1,287	1,485	9,899
Postage and shipping	3,320	1,106	1,106	5,532
Printing	3,845	321	2,244	6,410
Professional fees	907	389	-	1,296
Property tax	3,628	-	-	3,628
SPC	473	-	-	473
SPC Grants	10,034	-	-	10,034
Telephone	5,248	948	1,094	7,290
Temporary staffing	8,340	-	-	8,340
Travel	5,309	958	1,106	7,373
Utilities	3,506	633	731	4,870
Website	2,089	-	110	2,199
	<u>\$ 537,725</u>	<u>\$ 83,269</u>	<u>\$ 105,232</u>	<u>\$ 726,226</u>

See accompanying notes to financial statements.

TENNESSEE PARKS AND GREENWAYS FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

Cash Flows From Operating Activities:		
Increase in net assets		\$ 428,087
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	\$ 5,945	
Realized gain on investments	1,551	
Dividends and interest reinvested	(379)	
Unrealized gains on investments	(975)	
Loss on sale of land	31,137	
Donated land	(400,000)	
Changes in:		
Certificates of deposit	(5,803)	
Prepaid expenses	(1,694)	
Unconditional promises to give	(6,300)	
Community Foundation Money Market	150	
Other asset	8,400	
Asset whose use is limited	45,794	
Accounts payable and accrued expenses	20,763	
Total adjustments		<u>(301,411)</u>
Net cash provided by operating activities		126,676
Cash Flows From Investing Activities:		
Purchase of property and equipment	(7,362)	
Purchase of land	(942,217)	
Proceeds from sale of land	553,091	
Net cash used in investing activities		<u>(396,488)</u>
Cash Flows From Financing Activities:		
Proceeds for debt	25,000	
Payments on debt	(56,652)	
Net cash used in financing activities		<u>(31,652)</u>
Net decrease in cash		(301,464)
Cash - beginning of year, as restated		<u>465,664</u>
Cash - end of year		<u><u>\$ 164,200</u></u>

See accompanying notes to financial statements.

TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

In these notes, the terms "Organization", "we", "us" or "our" mean Tennessee Parks and Greenways Foundation. We are a 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. Our purpose is to protect Tennessee's natural treasures. We are primarily supported by contributions.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported 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 may, or will be, met by our actions and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by us. Generally, the donors of these assets permit us to use all or part of the income earned and any related investments for general or specific purposes.

Revenue

We recognize revenue as it is received or promised to us in accordance with generally accepted accounting principles for non-profit organizations.

Cash Equivalents

For the purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with an original maturity date of ninety days or less from the date of issuance to be cash equivalents. At December 31, 2014, we had certificates of deposit totaling \$453,484. See Note 2.

Unconditional Promises to Give

Unconditional promises to give (pledges) are recognized as contribution revenue when the donor's commitment is received. Pledges with payments due to us in future periods are recorded as increases in temporarily restricted or permanently restricted net assets at the estimated present value of future cash flows, net of an allowance for estimated uncollectible promises. Allowance is made for uncollectible contributions receivable based upon our analysis of past collection experience and other judgmental factors. At December 31, 2014, an allowance was not considered necessary.

In contrast to unconditional promises as described above, conditional promises are not recorded until donor contingencies are substantially met.

Prepaid expenses

Prepaid expenses consist of insurance premiums paid by us in advance.

TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is recorded at cost, or, if donated, at the estimated fair market value at the date of donation. Our capitalization policy is to capitalize any expenditure over \$500 for property and equipment. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. At December 31, 2014, no assets were considered to be impaired.

Collections

The collections are conservation easements which were acquired through contributions. These collections are not recognized as assets on the statement of financial position.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

Advertising is expensed as incurred.

Donated Services and Goods

Donated services are recognized if they create or enhance non-financial assets, or the donated service requires specialized skills, was performed by a donor who possesses such skills, and would have been purchased by us if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

We received donated land in the amount of \$400,000 for the year ended December 31, 2014.

Income Taxes

We are a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes. We are not subject to examination by U.S. federal or state taxing authorities for years before 2011.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair Values of Financial Instruments

The carrying values of current assets and current liabilities approximate fair values due to short maturities of these instruments.

TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 2 – Certificates of Deposit

The following is a summary of the certificates of deposit at December 31, 2014:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance</u>
Citizens Bank and Trust	5/17/2017	1.90%	\$ 259,431
Putnam First Mercantile	4/22/2015	.75%	168,088
Putnam First Mercantile	11/15/2016	.75%	<u>25,965</u>
			<u>\$ 453,484</u>

Certificates of deposit at December 31, 2014, are shown in the financial statements as follows:

Certificates of Deposit	\$ 428,443
Asset whose use is limited: Certificates of Deposit	<u>25,014</u>
	<u>\$ 453,484</u>

NOTE 3 – Unconditional Promises to Give

Unconditional promises to give consisted of the following at December 31, 2014:

Due in less than one year	\$ 12,750
Due in one to five years	<u>2,274</u>
Unconditional promises to give	<u>\$ 15,024</u>

Unconditional promises to give at December 31, 2014, are shown in the financial statements as follows:

Unconditional promises to give	\$ 6,300
Asset whose use is limited: Unconditional promises to give	<u>8,724</u>
	<u>\$ 15,024</u>

TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 4 - Fair Value Measurements

We use a framework for measuring fair value and disclosing fair values. We define fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. We use this framework for all assets and liabilities measured and reported on a fair value basis and enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Each asset and liability carried at fair value is classified into one of the following categories:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Observable market based inputs or unobservable inputs corroborated by market data
- Level 3 - Unobservable inputs not corroborated by market data.

The following table summarizes our financial assets measured at fair value on a recurring basis segregated by level of valuation inputs within the fair value hierarchy utilized to measure fair value as of December 31, 2014:

	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in agency endowment fund	\$ 50,208	\$ 50,208	\$ 29,934	\$ -	\$ 20,274
Land held for investment	1,995,716	1,995,716	1,995,716	-	-
	<u>\$ 2,045,924</u>	<u>\$ 2,045,924</u>	<u>\$ 2,025,650</u>	<u>\$ -</u>	<u>\$ 20,274</u>

As discussed above, we are required to report fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to the valuation techniques. We used the following ways to determine the fair values of the beneficial interest in agency endowment fund and land held for investment, respectively:

- We directly obtained a summary statement from the Community Foundation of Middle Tennessee with the value of the endowment fund as of December 31, 2014.
- Appraisals were obtained from a certified appraiser at the time of donation or purchase.

There were no transfers between Level 1, Level 2, and Level 3 investments during the year ended December 31, 2014.

A reconciliation of changes in the amounts reported for the assets valued using Level 1 and Level 3 inputs are included in Note 11.

NOTE 5 - Property and Equipment

Property and equipment consisted of the following at December 31, 2014:

Land	\$ 231,124
Building	64,134
Furniture and equipment	25,344
Land improvements	6,943
Vehicles	3,410
	<u>330,955</u>
Less accumulated depreciation	<u>(26,267)</u>
Property and equipment - net	<u>\$ 304,688</u>

TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 6 – Land held for investment

Land held for investment consists of the following at December 31, 2014:

Jackson County – Land Gift	\$ 400,000
Tipton County – Randolph Bluff	280,432
Fentress County – Pogue Creek	271,562
Fentress County – White Oak Creek	265,000
Cumberland County – Grassy Cove	203,128
Fentress County – Black House Mt.	172,742
Davidson County – West Meade Waterfall	103,352
Putnam County – Mill Creek	99,678
Davidson County – Beaman Park	49,703
Davidson County – Hill's Island	40,000
Cheatham County – Eagle Pass Trail	36,500
Cumberland County – Braun	32,000
Davidson County – West Meade Cave	24,119
Cheatham County – Eagle Pass Trail Addition	12,000
Polk County – 2 Lots Map 116 Parcels 174 & 175	5,500
	<u>\$ 1,995,716</u>

Land held for investment at December 31, 2014, is shown in the financial statements as follows:

Land held for investment	\$ 1,963,716
Asset whose use is limited: Land held for investment	<u>32,000</u>
	<u>\$ 1,995,716</u>

NOTE 7 – Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses to give consisted of the following at December 31, 2014:

Accounts payable	\$ 5,020
Accrued vacation	<u>15,743</u>
Accounts payable and accrued expenses	<u>\$ 20,763</u>

TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 8 - Notes Payable

Notes payable consisted of the following at December 31, 2014:

Note payable to board member due on demand after a 90 day notice. The note is interest free and is not collateralized.	\$ 200,000
Note payable to board member due once a fundraising goal of \$25,000 is achieved by the organization. The note is interest free and is not collateralized.	<u>25,000</u>
Less: current installments	<u>(225,000)</u>
	<u>\$ -</u>

The following is a summary of annual future maturities of notes payable:

<u>For the year ending December 31,</u>	
2015	<u>\$ 225,000</u>

NOTE 9 – Board Designated Net Assets

Board designated net assets consisted of the following at December 31, 2014:

Easement stewardships	\$ 65,000
Emergency Land Bank – Note 18	701,266
Forever Green	44,760
Property Maintenance	719
Operating Reserve	<u>226,150</u>
	<u>\$ 1,037,895</u>

NOTE 10 - Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at December 31, 2014:

Belle Forest Cave	\$ 3,579
Devil's Race Track / National Coal Settlement	40,000
Easement Stewardships	114,150
Grants	4,400
Hills Island	5,995
Land Protection / Apollo Fuels	10,805
Mill Creek Falls	13,494
Natchez Trace	300
Other Pledges	5,750
Premium Coal – East TN Land	54,000
Tech Grant	1,301
2015 Operations	12,000
TN Central Heritage Greenway	<u>100</u>
	<u>\$ 265,874</u>

TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 11 - Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following at December 31, 2014:

Land	\$ 32,000
Lucy B Finch Conservation Endowment	25,041
Beneficial interest in agency endowment fund	<u>20,274</u>
	<u>\$ 77,315</u>

NOTE 12 - Beneficial Interest in Agency Endowment Fund

Community Foundation

In the year ended December 31, 2014, the Community Foundation of Middle Tennessee, (the Foundation) a non-profit organization, is in control of an endowment fund for us. The endowment has been recorded as permanently restricted. The Foundation has ultimate authority and control over all property of the fund and the income derived therefrom. The endowment is considered a reciprocal transfer and is therefore recorded as an asset on our Statement of Financial Position.

We also have a money market pool with the Community Foundation of West Tennessee. We own and manage the funds held by the Community Foundation of West Tennessee. This money market pool has been recorded as unrestricted.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gifts, as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

Since the Foundation has control over the fund and the earnings, we have not established an investment policy for the fund nor have we established policies for expenditures from the fund. We are not aware of any deficiencies in the fair value of assets in the fund as compared to the required amounts by the donors. We recognize contribution income when the Foundation makes a distribution to us. We recognize investment earnings and fees in the Statement of Activities, as they are reported to us by the Foundation.

The following is the balance and activity reported in our financial statements for the year ended December 31, 2014:

	<u>Middle Tennessee</u>	<u>West Tennessee</u>
Balance - beginning of period	\$ 20,017	\$ 30,057
Change in value of beneficial interest in agency endowment fund:		
Contributions	384	-
Investment income	927	28
Withdrawals	(900)	-
Administrative expenses	<u>(154)</u>	<u>(151)</u>
	<u>257</u>	<u>(123)</u>
Balance - end of period	<u>\$ 20,274</u>	<u>\$ 29,934</u>

TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 13 - Endowment Funds

Our endowment consists of one individual fund, one donor-restricted fund and no funds designated by the Board of Directors to function as endowments. Our endowment funds are based on the spending policies described below which follow the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act (SUPMIFA).

Financial accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. Financial accounting standards also require additional disclosures about our endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not we are subject to UPMIFA.

Interpretation of applicable law - The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, we classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending policy - We have a policy of appropriating for annual distribution a maximum of 1.5 percent of its general endowment fund's average fair value over the preceding 12 quarters. Accordingly, over the long-term, we expect the current spending policy to allow our general endowment to grow at least 1% annually. In establishing the policy, we considered the long-term expected return on its general endowment. This is consistent with our objective to maintain the purchasing power of the general endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Investment return objective, risk parameters and strategies - We have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the corpus of the endowment assets. Endowment assets include those assets of donor-restricted funds that we must hold in perpetuity or for a donor specified period(s) as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that maintain the corpus of the endowment. We expect our endowment funds, over time, to provide an average rate of return of approximately 2 percent annually. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, we rely on a total return strategy in which investment returns are achieved through current yield (interest). We target cash-based investments to achieve long-term corpus protection objectives.

Endowment and Other Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires us to retain as a fund of perpetual duration. There were no such deficiencies at December 31, 2014.

A schedule of endowment net asset composition by type of fund as of December 31, 2014, is as follows:

	<u>Unrestricted (Deficit)</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds	\$ -	\$ -	\$ 25,041	\$ 25,041

TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 14 - Changes in Endowment Fund Net Assets

The following is a schedule of changes in endowment net assets for the year ended December 31, 2014:

	<u>Unrestricted (Deficit)</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2014	\$ -	\$ 924	\$ 20,041	\$ 20,965
Prior period adjustment	924	(924)	-	-
Endowment net assets, restated	924	-	20,041	20,965
Contributions	-	-	5,000	5,000
Investment income	-	-	-	-
Administrative expenses	-	-	-	-
Net appreciation (realized and unrealized)	-	-	-	-
Amounts released from restriction	-	-	-	-
Less: Investment earnings deposited to cash account	-	-	-	-
Endowment net assets, December 31, 2014	<u>\$ 924</u>	<u>\$ -</u>	<u>\$ 25,041</u>	<u>\$ 25,965</u>

NOTE 15 - Leases

Expenses incurred under our operating lease for a postage machine for the year ended December 31, 2014, were \$1,200 which is include in postage and shipping on the Statement of Functional Expenses.

The following is a schedule of future minimum lease payments:

Year Ending December 31,

2015	\$ 1,200
2016	1,200
2017	1,200
2018	900
Thereafter	-
	<u>\$ 4,500</u>

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NOTE 16 - Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents, and various grant, contract and contributions receivables. Grant, contract and contributions receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources.

Three donors represent 85% of total unconditional promises to give at December 31, 2014.

We maintain our cash in bank accounts which, at times, may exceed federally insured limits. We have not experienced any losses in such accounts and do not believe this exposes us to any significant credit risk on our cash.

NOTE 17 – Collections

We receive donations of conservation easements. A qualified conservation easement is a restriction (that is granted in perpetuity) on the use of land granted to a charity exclusively for conservation purposes. We have not capitalized these conservation easements as we have determined they meet the definition of a collection in accordance with GAAP. Approximately 5,364.18 acres are currently protected with an appraised value at the date of donation of \$19,659,794.

NOTE 18 – Defined Contribution Plan

We have a defined contribution plan ("the Plan") covering all employees with at least one year of service and those over twenty-one years of age. We make contributions to the Plan each year equal to 3% of all the participant's compensation. For the year ended December 31, 2014, we contributed \$11,031 to the plan, which is included in employee taxes and fringe benefits on the Statement of Functional Expenses.

NOTE 19 – Emergency Land Bank

We established an internal fund called the Emergency Land Bank in 2002. We use the money from this internal fund to provide working capital from time sensitive critical land and water projects throughout Tennessee. The money borrowed from the fund must be repaid. We have a total of \$701,266 restricted for this use. Current borrowings against the Emergency Land Bank as of December 31, 2014, were \$670,672 with \$30,594 remaining available for use.

NOTE 20 – Solar Contract

In 2010, we entered into a lease and license agreement with Good Earth Energy, LLC (Good Earth) to lease space on a roof of a building we own for one dollar a year for 12 years. Good Earth installed and will maintain a solar array on the roof of the building in order to benefit the environment, increase public awareness of the benefits of solar power, and distribute the power for eventual use by customers of the Tennessee Valley Authority (TVA). Under the terms of the license agreement we entered into with Good Earth, we also entered into an agreement with TVA to sell the energy to TVA. During the term of the lease, we must pay Good Earth the gross proceeds related to the energy produced by the solar array equipment. During 2014, the solar array generated \$4,205 in electricity which was paid to Good Earth Energy. At the conclusion of the agreement, Good Earth will convey title to the solar array equipment to the current property owner.

NOTE 21 – Related Party Transactions

We have entered into debt agreements with two board members. All of our debt is due to board members at December 31, 2014. See Note 7.

TENNESSEE PARKS AND GREENWAYS FOUNDATION
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NOTE 22 – Prior Period Adjustment

A prior period adjustment at the beginning of the fiscal year was made to correct errors in previously reported assets, unrestricted net assets, unrestricted – board designated net assets, temporarily restricted net assets and permanently restricted net assets.

The following details the effect on each major financial statement line item:

	<u>December 31, 2013</u>		
	<u>As previously reported</u>	<u>Prior Period Adjustment</u>	<u>Restated</u>
Assets:			
Cash	\$ 496,856	\$ (31,192)	\$ 465,664
Certificates of deposit	-	422,640	422,640
Community Foundation	50,074	(20,017)	30,057
Property, plant and equipment, net	303,271	-	303,271
Land	1,193,727	12,000	1,205,727
Assets whose use is limited	760,638	(371,431)	389,207
Other assets	8,400	-	8,400
Total assets	<u>\$ 2,812,966</u>	<u>\$ 12,000</u>	<u>\$ 2,824,966</u>
Total liabilities	<u>\$ 256,652</u>	<u>\$ -</u>	<u>\$ 256,652</u>
Net Assets:			
Unrestricted	1,222,622	(7,093)	1,215,529
Unrestricted – board designated	573,054	390,524	963,578
Total unrestricted net assets	1,795,676	383,431	2,179,107
Temporarily restricted	708,597	(391,448)	317,149
Permanently restricted	52,041	20,017	72,058
Total net assets	<u>2,556,314</u>	<u>12,000</u>	<u>2,568,314</u>
Total liabilities and net assets	<u>\$ 2,812,966</u>	<u>\$ 12,000</u>	<u>\$ 2,824,966</u>

NOTE 23 - Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2014. As of July 17, 2015, the date the financial statements were available to be issued, no events subsequent to the Statement of Financial Position date are considered necessary to be included in the financial statements for the year ended December 31, 2014.