

**TENNESSEE PARKS
AND GREENWAYS FOUNDATION**

FINANCIAL STATEMENTS

Year Ended December 31, 2004

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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, 2004, 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, 2004, 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
July 19, 2005

TENNESSEE PARKS AND GREENWAYS FOUNDATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2004

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Cash	\$ 45,661	\$ 167,773	\$ -	\$ 213,434
Investments	4,646	-	-	4,646
Deposits	525	-	-	525
Community foundation trusts	18,386	-	-	18,386
Furniture and equipment, net	5,571	-	-	5,571
Land	<u>214,474</u>	<u>108,210</u>	<u>482,000</u>	<u>804,684</u>
	<u>\$ 289,263</u>	<u>\$ 275,983</u>	<u>\$ 482,000</u>	<u>\$ 1,047,246</u>

LIABILITIES AND NET ASSETS

Note payable	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,000</u>
NET ASSETS				
Unrestricted	229,263	-	-	229,263
Temporarily restricted	-	275,983	-	275,983
Permanently restricted	<u>-</u>	<u>-</u>	<u>482,000</u>	<u>482,000</u>
	<u>229,263</u>	<u>275,983</u>	<u>482,000</u>	<u>987,246</u>
	<u>\$ 289,263</u>	<u>\$ 275,983</u>	<u>\$ 482,000</u>	<u>\$ 1,047,246</u>

See Notes to Financial Statements

TENNESSEE PARKS AND GREENWAYS FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>SUPPORT AND REVENUES</u>				
Contributions	\$ 126,690	\$ 139,878	\$ -	\$ 266,568
Unrealized gains on investments	247	-	-	247
Realized losses on investments	(207)	-	-	(207)
Interest income	<u>2,142</u>	<u>-</u>	<u>-</u>	<u>2,142</u>
	128,872	139,878	-	268,750
 Net assets released from donor restrictions	<u>118,744</u>	<u>(118,744)</u>	<u>-</u>	<u>-</u>
 Total Support and Revenues	<u>247,616</u>	<u>21,134</u>	<u>-</u>	<u>268,750</u>
 <u>FUNCTIONAL EXPENSES</u>				
Program services	194,570	-	-	194,570
Management and general	<u>43,145</u>	<u>-</u>	<u>-</u>	<u>43,145</u>
 Total Functional Expenses	<u>237,715</u>	<u>-</u>	<u>-</u>	<u>237,715</u>
 <u>CHANGE IN NET ASSETS</u>	9,901	21,134	-	31,035
 <u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>219,362</u>	<u>254,849</u>	<u>482,000</u>	<u>956,211</u>
 <u>NET ASSETS AT END OF YEAR</u>	<u>\$ 229,263</u>	<u>\$ 275,983</u>	<u>\$ 482,000</u>	<u>\$ 987,246</u>

See Notes to Financial Statements

TENNESSEE PARKS AND GREENWAYS FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended December 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 31,035
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	1,879
Unrealized and realized gains (losses) on investments	(40)
(Increase) decrease in:	
Promises to give	9,520
Beneficial interest in perpetual trusts	933
(Decrease) increase in:	
Accounts payable	(209)
Accrued payroll taxes	<u>(2,009)</u>
Net Cash Provided By Operating Activities	<u>41,109</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(1,543)
Purchase of land	(71,596)
Purchase of equipment	<u>(1,290)</u>
Net Cash Used By Investing Activities	<u>(74,429)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (33,320)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 246,754

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 213,434

NON-CASH INVESTING AND FINANCING ACTIVITIES

Purchase of land by issuance of note payable	<u>\$ 60,000</u>
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TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

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.

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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. 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 cost of the respective items over their estimated useful lives. Depreciation for the year ended December 31, 2004 was \$1,879.

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 Securities Investor Protection Corporation insured limits totaled \$28,347 at December 31, 2004.

NOTE C - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at December 31, 2004, are available for brochures, publications, seminars, and park and greenways projects.

Permanently restricted net assets at December 31, 2004, consists of donated land to be held in perpetuity.

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2004

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

Depreciable assets:

Equipment	\$ 13,702
Less accumulated depreciation	<u>8,131</u>
	<u>\$ 5,571</u>

NOTE E - INVESTMENTS

Investments are recorded at fair value.

Common stock	<u>\$ 4,646</u>
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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 therefrom. 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, 2004 of those beneficial interests were as follows:

Community Foundation of Greater Memphis	\$ 11,709
Community Foundation of Middle Tennessee	<u>6,677</u>
	<u>\$ 18,386</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 686 acres are currently protected.

TENNESSEE PARKS AND GREENWAYS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (continued)

DECEMBER 31, 2004

NOTE H - LEASE

The Organization leases office space under an operating lease for \$605 per month. Rent expense under the operating lease was \$6,535 for the year ended December 31, 2004.

NOTE I - NOTE PAYABLE

Note payable to an individual without interest, payable on or before June 1, 2005. Note is secured by deed of trust on property purchased. The balance on the note was \$60,000 at December 31, 2004, and was subsequently paid off on June 1, 2005. Imputed interest of \$1,329 was calculated and included as contribution revenue at December 31, 2004.

NOTE J - 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, 2004, was \$4,038.

NOTE K - ECONOMIC DEPENDENCY

The Organization is dependent on certain contributions, the loss of which would have a material adverse effect on the Organization. During the year ended December 31, 2004 three donors accounted for approximately 46% of contribution revenues.

NOTE L - SUBSEQUENT EVENT

On April 26, 2005 the Organization entered into an agreement to purchase approximately 296 acres in Shelby County, Tennessee by paying \$15,000 in earnest money.

SUPPLEMENTAL INFORMATION

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**INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION**

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

Our report on our audit of the basic financial statements of Tennessee Parks and Greenways Foundation for December 31, 2004 appears on page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Grannis & Associates, P.C.

Murfreesboro, Tennessee
July 19, 2005

TENNESSEE PARKS AND GREENWAYS FOUNDATION

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended December 31, 2004

	<u>Program Services</u>	<u>Management and General</u>
Accounting fee	\$ -	\$ 3,750
Annual report/newsletter	-	76
Board meeting expense	-	3,531
Commissions and fees	-	677
Conferences and workshops	275	-
Copies and faxes	573	143
Cumberland River Trail	132	-
Depreciation	1,315	564
Insurance	10,449	2,612
Land protection	3,050	-
Licenses & fees	505	758
MS River	6,891	-
Memberships	404	-
Miscellaneous	2,311	577
Office	236	59
Office supplies	3,199	478
Payroll taxes	6,222	2,667
Postage and shipping	4,190	221
Printing	903	226
Property tax	2,133	-
Rent	5,555	980
Retirement contribution	2,827	1,211
SPC	1,818	-
SPC Grants	31,436	-
Staffing	95,930	23,983
State Park Friends	400	-
Stillhouse Hollow Falls	1,811	-
Telephone	5,307	279
Travel	5,752	303
Utilities	946	50
Total Functional Expenses	<u>\$ 194,570</u>	<u>\$ 43,145</u>