

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Tennessee Parks and Greenways Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Tennessee Parks and Greenways Foundation (a not-for-profit corporation, the "Organization"), which comprise the statement of financial position as of September 30, 2017, 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.

Auditors' 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 Tennessee Parks and Greenways Foundation as of September 30, 2017, 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.

Blankenship CPA Group, PLLC
January 22, 2018

TENNESSEE PARKS AND GREENWAYS FOUNDATION
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2017

ASSETS

Current Assets:

Cash and cash equivalents	\$ 897,799
Unconditional promises to give	17,500
Prepaid expense	8,457
Community Foundation investment	29,882
Total current assets	<u>953,638</u>

Property and Equipment - net	<u>300,788</u>
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Other Assets:

Note receivable	25,000
Land and building inventory	2,982,827
Total other assets	<u>3,007,827</u>

Asset Whose Use is Limited:

Cash	302,872
Certificate of deposit	30,041
Beneficial interest in agency endowment fund	20,062
Land	32,000
Total assets whose use is limited	<u>384,975</u>

Total Assets	<u><u>\$ 4,647,228</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 8,950
Note payable	760,588
Accrued vacation	22,494
Total current liabilities	<u>792,032</u>

Net Assets:

Unrestricted Net Assets:

Unrestricted	2,289,980
Unrestricted board-designated	1,180,241
Total unrestricted net assets:	<u>3,470,221</u>

Temporarily restricted	302,872
Permanently restricted	82,103
Total restricted net assets	<u>384,975</u>

Total net assets	<u>3,855,196</u>
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Total Liabilities and Net Assets	<u><u>\$ 4,647,228</u></u>
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See accompanying notes to financial statements.

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue:				
Contributions	\$ 1,580,288	\$ 50,751	\$ -	\$ 1,631,039
Community Foundation income - net	1,485	-	1,802	3,287
In-kind revenue	6,737	-	-	6,737
Donated land inventory	286,000	-	-	286,000
Interest income	5,750	-	-	5,750
Loss on sale of property	(7,661)	-	-	(7,661)
Net assets released from restrictions	48,419	(48,419)	-	-
Total public support and revenue	<u>1,921,018</u>	<u>2,332</u>	<u>1,802</u>	<u>1,925,152</u>
Expenses:				
Program services	572,226	-	-	572,226
Supporting services:				
Management and General	64,911	-	-	64,911
Fundraising	126,932	-	-	126,932
Total expenses	<u>764,069</u>	<u>-</u>	<u>-</u>	<u>764,069</u>
Increase in net assets	1,156,949	2,332	1,802	1,161,083
Net assets - beginning of year	<u>2,313,272</u>	<u>300,540</u>	<u>80,301</u>	<u>2,694,113</u>
Net assets - end of year	<u>\$ 3,470,221</u>	<u>\$ 302,872</u>	<u>\$ 82,103</u>	<u>\$ 3,855,196</u>

See accompanying notes to financial statements.

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Automotive	\$ 550	\$ -	\$ 105	\$ 655
Bad debt expense	1,000	-	-	1,000
Clothing and merchandise	136	-	-	136
Computer and equipment	4,769	452	4,873	10,094
Depreciation expense	4,384	-	-	4,384
Dues and subscriptions	5,348	-	-	5,348
Event expense	18,277	-	54,279	72,556
In-kind expense	6,180	557	-	6,737
Insurance	7,982	1,680	947	10,609
Interest	40,234	4,470	-	44,704
Licenses and fees	8,583	964	96	9,643
Marketing	3,057	-	1,505	4,562
Meeting expense	2,251	121	1,640	4,012
Occupancy and utilities	10,004	6,814	1,002	17,820
Postage and shipping	3,580	122	4,350	8,052
Printing	14,543	72	7,454	22,069
Professional development	2,088	-	-	2,088
Professional fees	42,367	2,386	5,848	50,601
Property tax	3,038	-	-	3,038
Staffing payroll	378,960	46,838	42,107	467,905
Supplies and office supplies	3,417	345	371	4,133
Travel	11,478	90	2,355	13,923
	<u>\$ 572,226</u>	<u>\$ 64,911</u>	<u>\$ 126,932</u>	<u>\$ 764,069</u>

See accompanying notes to financial statements.

TENNESSEE PARKS AND GREENWAYS FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Cash Flows from Operating Activities:	
Increase in net assets	\$ 1,161,083
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	4,384
Bad debt	1,000
Forgiveness of debt	(1,269)
Donated land inventory	(286,000)
Loss on sale of land inventory	7,661
Donated securities	(70,245)
Changes in assets and liabilities:	
Unconditional promises to give	17,600
Prepaid expenses	(8,457)
Certificate of deposit	264,449
Beneficial interest in agency endowment fund	(1,802)
Accounts payable	6,104
Accrued expenses	(14,668)
Accrued vacation	2,920
Sale of donated securities	70,245
Total adjustments	<u>(8,078)</u>
Net cash provided by operating activities	<u>1,153,005</u>
Cash Flows from Investing Activities:	
Purchase of property and equipment	(5,737)
Sale of land inventory	213,789
Purchase of land inventory	<u>(146,800)</u>
Net cash provided by investing activities	<u>61,252</u>
Cash Flows from Financing Activities:	
Issuance of note receivable	(25,000)
Repayment of note payable	(1,039,412)
Repayment of note payable to related party	<u>(11,000)</u>
Net cash used by financing activities	<u>(1,075,412)</u>
Net increase in cash and cash equivalents	138,845
Cash and cash equivalents - beginning of year	<u>1,061,826</u>
Cash and cash equivalents - end of year	<u>\$ 1,200,671</u>
Reconciliation of Cash to Statement of Financial Position:	
Cash and cash equivalents - unrestricted	\$ 897,799
Cash - asset whose use is limited	<u>302,872</u>
	<u>\$ 1,200,671</u>

See accompanying notes to financial statements.

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 1 – Summary of Significant Accounting Policies

Nature of Activities

Tennessee Parks and Greenways Foundation (the "Foundation" or "Organization") is a not-for-profit 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 and its purpose is to protect Tennessee's natural treasures. The Foundation is primarily supported by contributions.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. 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 the Foundation's 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 to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned and any related investments for general or specific purposes.

Revenue

Revenue is recognized as it is received or promised in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Foundation considers 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.

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 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 the Foundation's analysis of past collection experience and other judgmental factors. At September 30, 2017, 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.

TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 1 – Summary of Significant Accounting Policies (continued)

Property and Equipment and Depreciation

Property and equipment is recorded at cost, or, if donated, at the estimated fair market value at the date of donation. The Foundation's 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 September 30, 2017, 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.

In-kind Revenues and Expenses

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 the Foundation if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

Income Taxes

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is 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. The Foundation does not believe there are any uncertain tax positions. Further, the Foundation does not believe they have any unrelated business income, which would be subject to federal taxes. The Foundation is not subject to examination by U.S. federal or state taxing authorities for years before 2013.

Use of Estimates

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

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 1 – Summary of Significant Accounting Policies (continued)

Adoption of Accounting Standard Update 2016-08

The Foundation adopted *Accounting Standards Update* ("ASU") *2016-18 Statement of Cash Flows – Restricted Cash* as of October 1, 2016. Under the newly adopted update, the Statement of Cash Flows should explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This update requires a retrospective adjustment and restricted cash should be included with cash and cash equivalents on the Statement of Cash Flows. The effect of the retrospective adjustment is an increase in beginning cash and cash equivalents on the Statement of Cash Flows from \$778,086 to \$1,061,826.

NOTE 2 – Certificate of Deposit

The certificate of deposit has a maturity date of December 20, 2017 and earns interest at 1.5%.

NOTE 3 – Unconditional Promises to Give

Unconditional promises to give as of September 30, 2017 were \$17,500 and were due within one year.

NOTE 4 – Fair Value Measurements

The Foundation uses a framework for measuring fair value and disclosing fair values. The Foundation defines fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. This framework is used 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 the Foundation's 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 September 30, 2017:

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Beneficial interest in agency endowment fund	<u>\$ 49,944</u>	<u>\$ 49,944</u>	<u>\$ 29,882</u>	<u>\$ -</u>	<u>\$ 20,062</u>

TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 4 – Fair Value Measurements (continued)

As discussed above, the Foundation is 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. The fair values of the beneficial interest in agency endowment funds are based directly from summary statements from the Community Foundation of Middle Tennessee and the Community Foundation of Greater Memphis with the value of the endowment funds as of September 30, 2017.

There were no transfers between Level 1, Level 2, and Level 3 investments during the year ended September 30, 2017. A reconciliation of changes in the amounts reported for the assets valued using Level 1 and Level 3 inputs are included in Note 12.

Beneficial interest in agency endowment fund at September 30, 2017, are shown in the financial statements as follows:

Community Foundation investment	\$ 29,882
Assets whose use is limited: beneficial interest in agency endowment fund	20,062
	<u>\$ 49,944</u>

NOTE 5 – Property and Equipment

Property and equipment consists of the following at September 30, 2017:

Land	\$ 231,124
Building	64,134
Furniture and equipment	34,974
Land improvements	6,943
Vehicles	3,410
	<u>340,585</u>
Less accumulated depreciation	<u>(39,797)</u>
Property and equipment - net	<u>\$ 300,788</u>

NOTE 6 – Note Receivable

During the year ended September 30, 2017, the Foundation issued a note receivable in the amount of \$25,000 to another organization. The note bears interest at 3.25% per annum and requires three annual interest only payments. The note matures July 6, 2020 and is collateralized by land.

NOTE 7 – Land and Building Inventory

Land and building inventory represent land and buildings that have either been contributed by a donor or purchased by the Foundation to protect the rights and use of the land. The land and building inventory may be sold at any point to the right buyer. As of September 30, 2017, no inventory was held for sale and it is not being used for operational purposes.

TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 7 – Land and Building Inventory (continued)

Land and building inventory is valued based on the appraisal obtained from a certified appraiser at the time of donation or purchase. The carrying value approximates fair value. Land and building inventory consists of the following at September 30, 2017:

Tipton Co. - Randolph Bluff (land)	\$ 70,000
Tipton Co. - Randolph Bluff (building)	210,432
Fentress Co. - White Oak Creek (land)	265,000
Cumberland Co. - Grassy Cove (land)	1,938,448
Lincoln Co. - Wells Hill (land)	286,000
Putnam Co. - Mill Creek (land)	100,328
Davidson Co. - Hill's Island (land)	40,000
Cheatham Co. - Eagle Pass (land)	36,500
Cheatham Co. - Eagle Pass Trail Addition (land)	12,000
Cumberland Co. - Braun (land)	32,000
Davidson Co. - Belle Forest Cave (land)	24,119
	<u>\$3,014,827</u>

Land and building inventory at September 30, 2017, is shown in the financial statements as follows:

Land and building inventory	\$2,982,827
Asset whose use is limited: Land	<u>32,000</u>
Total land and building inventory	<u>\$3,014,827</u>

NOTE 8 – Note Payable

As of September 30, 2017, the note payable is due to First National Bank of Tennessee on January 28, 2018. The note bears interest at 3% and is secured by land.

NOTE 9 – Board Designated Net Assets

Board designated net assets consists of the following at September 30, 2017:

Stewardship and Legal Defense Fund	\$ 130,000
Emergency Land Fund - Note 19	740,191
Forever Green TN	23,700
Operating Reserve	286,350
	<u>\$1,180,241</u>

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 10 – Temporarily Restricted Net Assets

Temporarily restricted net assets consists of the following at September 30, 2017:

Belle Forest Cave	\$ 9,825
Devil's Race Track / National Coal Settlement	40,000
Stewardship and Legal Defense Fund	146,150
Hills Island	479
Land Protection / Apollo Fuels	10,805
White's Creek	8,908
Land Trust Alliance Leadership Grant	820
Appalachian Community Fund	1,000
Natchez Trace	300
Premium Coal - East TN Land	83,700
Frist Tech Grant	785
TN Central Heritage Greenway	100
	<u>\$302,872</u>

NOTE 11 – Permanently Restricted Net Assets

Permanently restricted net assets consists of the following at September 30, 2017:

Land	\$ 32,000
Lucy B. Finch Conservation Endowment	30,041
Beneficial interest in agency endowment fund	<u>20,062</u>
	<u>\$ 82,103</u>

NOTE 12 – Beneficial Interest in Agency Endowment Fund

For the year ended September 30, 2017, the Community Foundation of Middle Tennessee, (the Community Foundation) a non-profit organization, is in control of an endowment fund for the Organization. The endowment has been recorded as permanently restricted. The Community 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 the Foundation's Statement of Financial Position.

The Organization also has a money market pool with the Community Foundation of Greater Memphis. The Organization owns and manages the funds held by the Community Foundation of Greater Memphis. 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.

TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 12 – Beneficial Interest in Agency Endowment Fund (continued)

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

The following is the balance and activity reported in the Foundation's financial statements for the year ended September 30, 2017:

	<u>Middle Tennessee</u>	<u>Greater Memphis</u>
Balances - beginning of year	<u>\$ 18,260</u>	<u>\$ 29,877</u>
Changes in value of beneficial interest in agency endowment fund:		
Contributions	200	-
Investment income	2,689	90
Withdrawals	(900)	-
Administrative expenses	<u>(187)</u>	<u>(85)</u>
	<u>1,802</u>	<u>5</u>
Balance - end of year	<u><u>\$ 20,062</u></u>	<u><u>\$ 29,882</u></u>

NOTE 13 – Endowment Funds

The endowment (Community Foundation, see Note 12) consists of one individual fund, one donor-restricted fund and no funds designated by the Board of Directors to function as endowments. The 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 the endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the Organization is subject to UPMIFA.

TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOTE 13 – Endowment Funds (continued)

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, the Foundation classifies 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 the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending policy – The Foundation has a policy of appropriating for annual distribution a maximum of 1.5% of the general endowment fund's average fair value over the preceding 12 quarters. Accordingly, over the long-term, the Foundation expects the current spending policy to allow the general endowment to grow at least 1% annually. In establishing the policy, the Foundation considered the long-term expected return on the general endowment. This is consistent with the 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 – The Foundation has 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 must be held 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. The Foundation expects the endowment funds, over time, to provide an average rate of return of approximately 2% annually. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through current yield (interest). The Foundation targets 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 the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as September 30, 2017.

A schedule of endowment net asset composition by type of fund as of September 30, 2017, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds	<u>\$ 1,395</u>	<u>\$ -</u>	<u>\$ 30,041</u>	<u>\$ 31,436</u>

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 14 – Changes in Endowment Fund Net Assets

The following is a schedule of changes in endowment net assets for the year ended September 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, October 1, 2016	\$ 1,237	\$ -	\$ 30,041	\$ 31,278
Contributions	-	-	-	-
Investment income	158	-	-	158
Administrative expenses	-	-	-	-
Endowment net assets, September 30, 2017	<u>\$ 1,395</u>	<u>\$ -</u>	<u>\$ 30,041</u>	<u>\$ 31,436</u>

NOTE 15 – Leases

Expenses incurred under operating leases were for a postage machine and storage unit for the year ended September 30, 2017.

The postage lease expires in 2018, and minimum lease payments are expected to total \$1,200.

NOTE 16 – Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentration of credit risk consist of cash and cash equivalents, and unconditional promises to give. Unconditional promises to give represent concentrations of credit risk to the extent they are receivable from concentrated sources.

One donor represents 85% of total unconditional promises to give at September 30, 2017.

One donor contributed 52% of total revenue as of September 30, 2017.

The Foundation maintains cash in bank accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and does not believe this exposes them to any significant credit risk related to cash.

NOTE 17 – Collections

The Foundation receives 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. The Foundation has not capitalized these conservation easements as they have determined they meet the definition of a collection in accordance with generally accepted accounting principles. Approximately 8,169.09 acres are currently protected with an appraised value at the date of donation of \$35,234,508. The Foundation has elected to not recognize conservation easements acquired through contributions.

**TENNESSEE PARKS AND GREENWAYS FOUNDATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

NOTE 18 – Defined Contribution Plan

The Foundation has a defined contribution plan (“the Plan”) covering all employees with at least two years of service who are over twenty-one years of age. The Foundation makes contributions to the Plan each year equal to 3% of all the participant’s compensation received during the Plan year. Additionally, the Foundation contributes a 100% match of participant deferrals, not to exceed 2.5% of compensation received during the Plan year. For the year ended September 30, 2017, contribution expense related to this plan was \$13,473, which is included in Staffing Payroll on the Statement of Functional Expenses.

NOTE 19 – Emergency Land Fund

The Foundation has established an internal fund called the Emergency Land Fund in 2002. The money is used in this internal fund to provide working capital for time sensitive critical land and water conservation projects throughout Tennessee. The money borrowed from the internal fund must be repaid back to the fund by the Foundation. At September 30, 2017, the Foundation had \$740,191 designated by the board for this purpose. Current internal borrowings against the Emergency Land Fund as of September 30, 2017, were \$335,944 with \$404,247 remaining available for use by the Foundation. Repayments to the internal fund are repaid through unrestricted contributions and fundraisers.

NOTE 20 – Solar Contract

In 2010, the Foundation entered into a lease and license agreement with Good Earth Energy, LLC (Good Earth) to lease space on a roof of a building the Foundation owns 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 the Foundation entered into an agreement with TVA to sell the energy to TVA. During the term of the lease, the Foundation must pay Good Earth the gross proceeds related to the energy produced by the solar array equipment. During the year ended September 30, 2017, the solar array generated \$2,855 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

From time to time, the Foundation enters into debt agreements with a committee member or other stakeholders (eg. conservation buyers) of the Foundation. During the year ended September 30, 2017, the organization paid a committee member \$11,000 related to a non-interest bearing note payable and \$1,269 was forgiven by the committee member.

NOTE 22 – Supplemental Cash Flow Disclosure

Interest paid during the year ended September 30, 2017 was \$46,954.

NOTE 23 – Subsequent Events

Management has evaluated events subsequent through January 22, 2018, the date the financial statements were available to be issued.