

THE LAND TRUST FOR TENNESSEE, INC.

NASHVILLE, TENNESSEE

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

MARCH 31, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Land Trust for Tennessee, Inc.  
Nashville, Tennessee

We have audited the accompanying statements of financial position of The Land Trust for Tennessee, Inc. as of March 31, 2012 and 2011, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of The Land Trust for Tennessee, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Land Trust for Tennessee, Inc. as of March 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*KraftCPAs PLLC*

Nashville, Tennessee  
September 20, 2012

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Cash and cash equivalents:		
Operating funds without restriction	\$ 3,476,033	\$ 1,667,819
Operating funds with donor restriction	2,813,372	1,752,890
Contributions receivable:		
Operating	190,132	99,789
Land acquisitions	190,443	-
Stewardship	107,340	70,310
Capital campaign	157,082	-
Bequest receivable	7,302	1,950,000
Accounts receivable	60,058	47,742
Prepaid expenses and other	19,966	12,118
Furniture and equipment, net	59,491	32,977
Real estate:		
Glen Leven estate property	3,700,000	3,700,000
Protected land	4,630,988	2,014,471
Property bequest receivable	210,000	210,000
Land held for sale	475,000	402,500
Funds held on behalf of others	<u>1,520</u>	<u>1,520</u>
TOTAL ASSETS	<u>\$ 16,098,727</u>	<u>\$ 11,962,136</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 38,746	\$ 27,017
Accrued expenses	26,029	21,790
Funds held on behalf of others	<u>1,520</u>	<u>1,520</u>
TOTAL LIABILITIES	<u>66,295</u>	<u>50,327</u>
<u>NET ASSETS</u>		
Unrestricted:		
Designated for protected land	4,630,988	2,014,471
Board designations	3,286,197	1,308,000
Undesignated	<u>746,878</u>	<u>2,756,349</u>
Total unrestricted	8,664,063	6,078,820
Temporarily restricted	<u>7,368,369</u>	<u>5,832,989</u>
TOTAL NET ASSETS	<u>16,032,432</u>	<u>11,911,809</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,098,727</u>	<u>\$ 11,962,136</u>

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

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED MARCH 31, 2012 AND 2011

	2012		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT			
Contributions, public support and other:			
Individuals, foundations and other	\$ 418,694	\$ 1,300,379	\$ 1,719,073
Bequests	-	-	-
Easement and land acquisition assistance	-	4,119,134	4,119,134
Transaction assistance	-	28,600	28,600
Grants for easement transaction assistance	-	2,912	2,912
Stewardship contributions	-	219,637	219,637
Donated goods and services	88,205	-	88,205
Donated land	165,000	-	165,000
Special events	256,137	-	256,137
Less: direct benefits to donors	(105,101)	-	(105,101)
Other	-	-	-
Interest income	10,779	2,976	13,755
Net assets released from restrictions	4,138,258	(4,138,258)	-
TOTAL REVENUES AND SUPPORT	4,971,972	1,535,380	6,507,352
EXPENSES			
Program services	2,047,949	-	2,047,949
Supporting services:			
Administration	65,075	-	65,075
Fundraising	273,705	-	273,705
TOTAL EXPENSES	2,386,729	-	2,386,729
CHANGE IN NET ASSETS	2,585,243	1,535,380	4,120,623
NET ASSETS - BEGINNING OF YEAR	6,078,820	5,832,989	11,911,809
NET ASSETS - END OF YEAR	\$ 8,664,063	\$ 7,368,369	\$ 16,032,432

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

2011		
Unrestricted	Temporarily Restricted	Total
\$ 314,478	\$ 674,309	\$ 988,787
3,150,000	-	3,150,000
-	1,201,355	1,201,355
129,739	-	129,739
-	36,000	36,000
-	126,330	126,330
105,496	-	105,496
-	-	-
274,799	-	274,799
(94,315)	-	(94,315)
7,400	-	7,400
-	20,686	20,686
<u>1,669,223</u>	<u>(1,669,223)</u>	<u>-</u>
<u>5,556,820</u>	<u>389,457</u>	<u>5,946,277</u>
2,229,572	-	2,229,572
71,397	-	71,397
<u>241,610</u>	<u>-</u>	<u>241,610</u>
<u>2,542,579</u>	<u>-</u>	<u>2,542,579</u>
3,014,241	389,457	3,403,698
<u>3,064,579</u>	<u>5,443,532</u>	<u>8,508,111</u>
<u>\$ 6,078,820</u>	<u>\$ 5,832,989</u>	<u>\$ 11,911,809</u>

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
OPERATING ACTIVITIES		
Change in net assets	<u>\$ 4,120,623</u>	<u>\$ 3,403,698</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	19,346	19,116
Impairment of real estate held for sale	92,500	-
Donated land	(165,000)	-
Restricted contributions for long-term purposes	(468,260)	-
(Increase) decrease in:		
Contributions receivable	(317,816)	12,877
Accounts receivable	(12,316)	272,791
Prepaid expenses and other	(7,848)	907
Bequest receivable	1,942,698	(1,950,000)
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>15,968</u>	<u>(39,279)</u>
TOTAL ADJUSTMENTS	<u>1,099,272</u>	<u>(1,683,588)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>5,219,895</u>	<u>1,720,110</u>
INVESTING ACTIVITIES		
Purchase of furniture and equipment	(45,860)	(2,005)
Purchase of protected land	<u>(2,616,517)</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,662,377)</u>	<u>(2,005)</u>
FINANCING ACTIVITIES		
Collections of contributions for long-term purposes	<u>311,178</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,868,696	1,718,105
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,420,709</u>	<u>1,702,604</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 6,289,405</u>	<u>\$ 3,420,709</u>
Non-cash investing activity:		
Land received from property bequest receivable	<u>\$ -</u>	<u>\$ 402,500</u>

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

THE LAND TRUST FOR TENNESSEE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED MARCH 31, 2012 AND 2011

	2012				
	Program Services	Supporting Services			Total
		Administration	Fundraising	Total	
Salaries and related benefits	\$ 850,478	\$ 44,254	\$ 138,124	\$ 182,378	\$ 1,032,856
Computer expense	17,065	1,382	4,459	5,841	22,906
Depreciation	13,504	2,112	3,730	5,842	19,346
Development/fundraising	-	-	22,153	22,153	22,153
Dues and subscriptions	2,625	341	706	1,047	3,672
Easement and land acquisition assistance	588,096	-	-	-	588,096
Easement preparation	12,990	-	-	-	12,990
Education and outreach	20,893	491	1,591	2,082	22,975
Events:					
Related costs	-	-	151,291	151,291	151,291
Donated goods and services	-	-	26,343	26,343	26,343
Glen Leven estate property operating costs:					
Donated	15,610	-	-	-	15,610
Other	60,701	-	-	-	60,701
Office expenses	17,232	1,669	3,285	4,954	22,186
Impairment of real estate held for sale	92,500	-	-	-	92,500
Insurance	9,822	1,398	2,470	3,868	13,690
Occupancy	75,129	7,101	12,698	19,799	94,928
Printing and publication	2,000	-	-	-	2,000
Professional services:					
Donated	37,852	-	-	-	37,852
Other	94,310	4,520	7,984	12,504	106,814
Stewardship	8,068	-	-	-	8,068
Taxes, licenses and fees	1,564	197	347	544	2,108
Telephone	18,476	1,610	3,625	5,235	23,711
Transaction assistance	109,034	-	-	-	109,034
<b>TOTAL EXPENSES</b>	<b>2,047,949</b>	<b>65,075</b>	<b>378,806</b>	<b>443,881</b>	<b>2,491,830</b>
Less expenses included with revenues on the statement of activities - direct benefits to donors	-	-	(105,101)	(105,101)	(105,101)
<b>TOTAL EXPENSES INCLUDED IN EXPENSES SECTION OF STATEMENT OF ACTIVITIES</b>	<b>\$ 2,047,949</b>	<b>\$ 65,075</b>	<b>\$ 273,705</b>	<b>\$ 338,780</b>	<b>\$ 2,386,729</b>

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



2011

Program Services	Supporting Services			Total
	Administration	Fundraising	Total	
\$ 638,259	\$ 46,591	\$ 109,612	\$ 156,203	\$ 794,462
14,233	1,296	1,534	2,830	17,063
12,891	2,438	3,787	6,225	19,116
-	-	11,768	11,768	11,768
3,585	244	288	532	4,117
1,029,302	-	-	-	1,029,302
8,916	-	-	-	8,916
33,149	1,860	2,267	4,127	37,276
-	-	131,759	131,759	131,759
-	-	52,188	52,188	52,188
11,470	-	-	-	11,470
38,952	-	-	-	38,952
17,475	2,338	2,986	5,324	22,799
-	-	-	-	-
9,319	1,872	2,216	4,088	13,407
60,070	7,258	8,593	15,851	75,921
499	-	-	-	499
32,738	-	-	-	32,738
81,872	5,414	6,410	11,824	93,696
15,178	-	-	-	15,178
1,623	242	286	528	2,151
16,427	1,844	2,231	4,075	20,502
203,614	-	-	-	203,614
2,229,572	71,397	335,925	407,322	2,636,894
-	-	(94,315)	(94,315)	(94,315)
<u>\$ 2,229,572</u>	<u>\$ 71,397</u>	<u>\$ 241,610</u>	<u>\$ 313,007</u>	<u>\$ 2,542,579</u>

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2012 AND 2011

NOTE 1 - GENERAL

The Land Trust for Tennessee, Inc. (the "Organization") is a Tennessee not-for-profit organization, incorporated on January 15, 1999, whose mission is to promote and aid in the preservation of Tennessee's natural landscapes and to protect land with agricultural, recreational, scenic, ecological, and historical significance for future generations. This is accomplished through the donation or purchase of land and by obtaining conservation easements on land. The Organization partners with a variety of individuals and entities and works with local communities and a network of volunteers to educate the public concerning Tennessee's natural and historical resources and landowners' options for preserving these resources. The Organization is funded primarily by contributions. As of March 31, 2012, the Organization has completed conservation transactions protecting 66,286 acres throughout Tennessee.

A conservation easement is a voluntary contract between a landowner and the Organization in which the owner places permanent restrictions on the future uses of some or all of the property to protect land with agricultural, recreational, scenic, ecological and historical significance. The restrictions usually limit the number of future home sites, divisions of land and can limit other uses. The landowner retains ownership of the land, has the right to use it, sell it or leave it to heirs, and is responsible for its ongoing maintenance. The restrictions of the easement remain with the land forever. The Organization holds the conservation easement and accepts responsibility for monitoring compliance with the terms of the easement and for defending the easement should the terms be threatened or violated. The Organization refers to its ongoing responsibility as stewardship and enforcement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements present the financial position and changes in net assets of the Organization on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.
- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.
- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. The Organization had no permanently restricted net assets as of March 31, 2012 and 2011.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits with financial institutions, bank certificates of deposit and money market funds that can be liquidated without significant penalty or restriction (including accrued interest).

Contributions and Support

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

Contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions.

The Organization also receives grant funding from the Tennessee Department of Agriculture. Grant revenue related to transaction assistance is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant. Grant revenue related to stewardship is considered a contribution and is recognized when the funds are received.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable

Unconditional promises and bequests to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed at a risk-free interest rate applicable to the year in which the promise is received. In 2012 and 2011, management considered this amount to be immaterial, and it was not recorded. Conditional promises to give are not included as support until such time as the conditions are substantially met.

An allowance for uncollectible amounts has not been provided on contributions receivable since, in management's opinion, the receivable amounts are fully collectible, based on past history.

Bequests

When a will is declared valid, the Organization recognizes the bequest receivable and revenue at the estimated realizable value of its interest in the estate.

Property and Equipment

Property and equipment are reported at cost at the date of purchase or at estimated fair value at the date of the gift to the Organization. The Organization's policy is to capitalize purchases with a cost of \$750 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets ranging from three to seven years for furniture, fixtures and equipment and computers and software.

Board Designated Net Assets

During 2011, the Board of Directors established four Board designated funds: an Operating Reserve for use in emergencies to sustain financial operations, a Working Capital Fund to meet the ebbs and flows during the year, a Revolving Fund to assist with the acquisition of land over short periods of approximately 24-36 months, and the Ashby Fund to generate revenue and capital growth. Within this structure, funds are invested, used, managed and transferred as set out in policies created by the Board of Directors and in accordance with internal procedures.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Board Designated Net Assets (Continued)

Board designated funds consisted of the following at March 31:

	<u>2012</u>	<u>2011</u>
Operating Reserve	\$ 375,000	\$ 375,000
Working Capital Fund	300,000	300,000
Revolving Fund	534,357	500,000
Ashby Fund	<u>2,076,840</u>	<u>133,000</u>
	<u>\$ 3,286,197</u>	<u>\$ 1,308,000</u>

In-kind Contributions

Donated materials are recorded as gifts in the period received at estimated fair value, if there is an objective and measurable basis for determining such value.

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

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services - consist of programs to promote and aid in the preservation of Tennessee's natural landscapes and to protect land with agricultural, recreational, scenic, ecological and historical significance for future generations.

The Organization identifies land of strategic importance to the overall mission of the Organization. These projects offer unique land protection opportunities and are made up of some of Tennessee's most remarkable intact large landscapes, farmland, timber tracts, wildlife and flora habitats, historic landscapes, scenic viewsheds, pristine waterways and recreational opportunities. To support the Organization's strategic mission, restricted donations are received that allow the Organization to hold conservation easements, tracts in fee, obtain options and perform due diligence.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (Continued)

Administration - includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program or with fundraising. Includes costs associated with providing coordination and articulation of the Organization's program strategy, business management, general record keeping, budgeting and related purposes.

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses and allocation of functional expenses during the reporting period. Actual results could differ from those amounts.

Income Taxes

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

The Organization files a U.S. federal Form 990 for organizations exempt from income tax. The Organization's returns for years prior to fiscal year 2009 are closed.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

Conservation Easements

Conservation easements held by the Organization are not recognized as assets in the accompanying financial statements. Assets are defined as probable future economic benefits obtained or controlled by an entity; the Organization does not believe that the easements meet the definition criteria. The cost of obtaining conservation easements is expensed when the easement is acquired.

Reclassifications

Certain reclassifications have been made in the 2011 financial statements to conform to the 2012 presentation. These reclassifications had no effect on the change in net assets previously reported.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between March 31, 2012 and September 20, 2012, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2012 AND 2011

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of March 31:

	<u>2012</u>	<u>2011</u>
Due in less than one year	\$ 486,529	\$ 134,399
Due in one to five years	150,718	35,700
Due in more than five years	<u>7,750</u>	<u>-</u>
	<u>\$ 644,997</u>	<u>\$ 170,099</u>

Contributions receivable are classified as follows as of March 31:

	<u>2012</u>	<u>2011</u>
Operating	\$ 190,132	\$ 99,789
Land acquisitions	190,443	-
Stewardship	107,340	70,310
Capital campaign	<u>157,082</u>	<u>-</u>
	<u>\$ 644,997</u>	<u>\$ 170,099</u>

NOTE 4 - BEQUESTS

In 2011, the Organization was the beneficiary of a testamentary bequest of a liquidated estate in the amount of \$3,150,000, which was recognized as a contribution in 2011. The Organization received distributions of \$1,200,000 in 2011 and \$1,942,698 in 2012.

During 2008, pursuant to a testamentary bequest from an estate, the Organization was to receive 12 acres of unimproved land in Wilson County, Tennessee. The property title has not transferred to the Organization as of March 31, 2012 due to the continuance of the title clearing process. The Organization intends to obtain restrictions to ensure the appropriate conservation of this property. The property bequest receivable was recorded at \$210,000, the estimated fair value with the contemplated restrictions. Upon property transfer, management and the Board are prepared to evaluate the future use of this land and anticipate the property will be sold.



THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2012 AND 2011

NOTE 5 - FURNITURE AND EQUIPMENT

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

	<u>2012</u>	<u>2011</u>
Furniture, fixtures and equipment	\$ 105,261	\$ 65,648
Computers and software	<u>62,696</u>	<u>56,449</u>
	167,957	122,097
Less: accumulated depreciation	<u>(108,466)</u>	<u>(89,120)</u>
Furniture and equipment, net	<u>\$ 59,491</u>	<u>\$ 32,977</u>

NOTE 6 - PROPERTY BEQUEATHED FROM GLEN LEVEN ESTATE

During 2007, the Organization received a testamentary bequest consisting of approximately 60 acres of land and a historic house with 5 acres known as the Glen Leven estate. The appraised fair values were \$1,500,000 and \$2,200,000, respectively, at the date of the bequest. The decedent's will placed significant restrictions on the use of this property or the proceeds in the event of its sale.

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

	<u>2012</u>	<u>2011</u>
Insurance	\$ 11,242	\$ 11,988
Repairs	3,699	3,618
Security	767	8,385
Taxes	873	823
Grounds maintenance	22,414	14,520
Utilities and other	3,841	3,965
Professional fees	5,817	5,065
Outreach	13,859	2,058
Restoration	<u>13,799</u>	<u>-</u>
	<u>\$ 76,311</u>	<u>\$ 50,422</u>

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2012 AND 2011

NOTE 6 - PROPERTY BEQUEATHED FROM GLEN LEVEN ESTATE (CONTINUED)

During 2012, the Board of Directors approved a capital campaign in the amount of \$1 million to address the structural needs of the property. Donations totaling \$468,260 were recorded as restricted contributions during the year and \$157,082 was remaining in contributions receivable at March 31, 2012.

NOTE 7 - PROTECTED LAND

Protected land consists of tracts of land purchased by the Organization that are being held subject to significant deed restrictions consistent with the Organization's mission. The Moran Road tract was purchased by the Organization in a prior year for \$2,014,471, with funds that were donated for that purpose.

In 2012, the Organization received a contribution from a donor-advised fund that was restricted for the Organization's Easement and Acquisition Fund for Marshall and Giles counties. These funds were used to purchase a tract of land in Marshall County for \$2,616,517.

NOTE 8 - LAND HELD FOR SALE

In 2010, the Organization was informed that it was the beneficiary of a testamentary bequest of a 100 acre tract of land in Williamson County with an estimated fair value of \$402,500, which was recognized as revenue during that year. In 2011, the property was transferred to the Organization and classified as land held for sale. In May 2012, the Organization sold the property for \$310,000. The placement of a conservation easement on this property by the Organization in conjunction with its mission to protect this tract of land resulted in the devaluation of the land in the amount of \$92,500, which was recognized in 2012. In addition, during 2012, the Organization received a donation of 155 acres in Putnam County, Tennessee. A sales agreement was entered into during 2012 for this property in the amount of \$165,000, the estimated fair value assigned at the date of gift.

NOTE 9 - DONOR-DESIGNATED ENDOWMENT FUNDS IN TRUST

A donor-designated endowment fund has been established with the Community Foundation of Middle Tennessee for the benefit of the Organization. The Community Foundation of Middle Tennessee has the ultimate authority and control over the fund and, therefore, these assets are not included in the financial statements of the Organization. Income distributed to the Organization is recognized by the Organization in the year received. There were no such distributions in 2012 or 2011. Total assets held in this fund approximated \$13,500 at March 31, 2012 (\$14,000 at March 31, 2011).

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2012 AND 2011

NOTE 10 - LEASES

During 2011, the Organization renegotiated its office facilities lease under a noncancelable operating lease, expiring October 31, 2014, that increased its square footage. Monthly payments required under this lease range from \$3,553 to \$5,586. Rent expense on this lease is recognized on a straight-line basis. The excess rent expense recognized over the amount paid is included in accrued expenses. Additionally, the Organization leases two satellite offices, both operating on month-to-month agreements. One of these offices is leased at \$400 a month and the second office is leased at \$555 a month.

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

Year ending March 31,

2013	\$ 65,636
2014	66,513
2015	<u>39,103</u>
	<u>\$ 171,252</u>

Rent expense totaled \$90,007 in 2012 (\$65,882 in 2011).

NOTE 11 - PENSION PLAN

The Organization sponsors a defined contribution employee benefit plan for eligible employees. At the discretion of the Board, the Organization contributes to the plan on behalf of all eligible employees based on their compensation. All employees are eligible to participate in the plan upon employment and to receive the employer discretionary match after two years of service. Total pension plan expense of the Organization amounted to \$17,706 in 2012 (\$16,869 in 2011).

NOTE 12 - CONCENTRATION OF CREDIT RISK

The Organization maintains deposit accounts at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. As of March 31, 2012, deposits at these institutions exceeded the statutory limits by approximately \$4,887,000. The Board is in the process of establishing new deposit accounts to minimize credit risk related to uninsured balances.

THE LAND TRUST FOR TENNESSEE, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2012 AND 2011

NOTE 12 - CONCENTRATION OF CREDIT RISK (CONTINUED)

For the year ended March 31, 2012, contributions from one source amounted to \$2,800,000 or 44% of total contributions, public support and other revenues. This contribution was received from another not-for-profit organization and was restricted for certain land acquisitions. For the year ended March 31, 2011, contributions from two sources amounted to \$3,750,000 or 65% of total contributions, public support and other revenues. One of the two sources in 2011 was from a bequest.

At March 31, 2012, contributions receivable from one source comprised 16% of total contributions receivable (29% of total contributions receivable from two sources in 2011).

NOTE 13 - DONATED GOODS AND SERVICES

The accompanying Statements of Activities include contributed services for legal, occupancy and various other services. Donated goods include food and beverages used at fundraising events and certain equipment.

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

	<u>2012</u>	<u>2011</u>
Check scanner	\$ -	\$ 700
Events:		
Goods	15,936	43,359
Printing and publicity	10,407	8,829
Professional services:		
Public relations and branding	1,908	-
Designers and photographers	2,194	5,599
Legal	33,750	27,139
Glen Leven - grounds maintenance and other	15,610	11,470
Occupancy	<u>8,400</u>	<u>8,400</u>
	<u>\$ 88,205</u>	<u>\$ 105,496</u>

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization; however, no values for such in-kind contributions have been included in the financial statements since there is no objective basis by which to measure the values.

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2012 AND 2011

NOTE 14 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2012</u>	<u>2011</u>
Contributions receivable for future years' operations and capital campaign	\$ 644,997	\$ 170,099
Stewardship funds for monitoring and enforcement of protected properties	1,115,057	973,036
Land protection activities in the South Cumberland Plateau and Sequatchie Valley regions	31,329	108,562
Land conservation programs in North Davidson county, Robertson county, Sumner county and Northeast Tennessee	148,614	122,481
Land conservation programs in Giles and Williamson Counties	104,739	129,594
Glen Leven estate property	3,700,000	3,700,000
Glen Leven estate stabilization and maintenance	225,156	9,165
Monitoring of the conservation easement for Shelby Farms	40,539	45,902
Wilson County unimproved land	210,000	210,000
Middle Tennessee wildlife conservation	27,642	20,871
Capacity building funds	39,535	-
Ft. Campbell ACUB program	60,041	-
Revolving funds for temporary needs of land acquisition	33,184	-
Transaction assistance funds for landowners	92,700	187,781
Easement and land acquisition funds	894,836	155,498
	<u>\$ 7,368,369</u>	<u>\$ 5,832,989</u>

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2012 AND 2011

NOTE 15 - TRANSACTION ASSISTANCE

In cases where important land is at risk and resources are not available to complete the conservation transaction, the Organization may provide assistance from its transaction assistance funds, which are supported by restricted grant donations. The Organization may also participate as a partner in raising funds for land purchases. In 2012, the Organization expended approximately \$109,000 (\$204,000 in 2011) from this fund to assist with transaction costs incurred for conservation transactions (easements or other methods).

NOTE 16 - STEWARDSHIP AND ENFORCEMENT OF EASEMENTS

In accepting conservation easements, the Organization has agreed to undertake future monitoring and enforcement activities to ensure compliance with the terms and conditions of the 220 easements it currently holds.

The Board of Directors has established a spending policy that allows up to 3% of the value of the temporarily restricted stewardship and enforcement fund as of the end of the prior fiscal year to be spent annually to meet ongoing stewardship needs and obligations. With the approval of the Board of Directors, additional funds may be transferred to unrestricted net assets and used to meet extraordinary expenses associated with upholding or defending an easement or other interest in land held by the Organization.

NOTE 17 - RELATED PARTY DISCLOSURES

During 2012 and 2011, the Organization paid \$6,600 to a Board member for satellite office space and recorded donated space for this satellite office in the amount of \$8,400 in 2012 and 2011. The donated office space amount represents the value of the discounted rent.

Pledges totaling \$240,458 are due from 26 members of the Organization's board of directors as of March 31, 2012 (\$50,650 are due from 10 members as of March 31, 2011).

THE LAND TRUST FOR TENNESSEE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2012 AND 2011

NOTE 18 - FIERY GIZZARD PROJECT

During the year ending March 31, 2011, the Organization entered into a Memorandum of Understanding (the "MOU") with The Conservation Fund ("TCF") to work collaboratively to conserve 6,574 acres of forestland, known as the Fiery Gizzard project area. Under the MOU, the Organization and TCF were to raise approximately \$8,860,000 for TCF to purchase the land and place an easement on a portion of the property. During 2012, the Organization raised \$604,075 (\$979,932 in 2011) towards the project and reported these contributions as easement and land acquisition assistance revenues. The Organization distributed these monies to TCF and reported the distribution under easement and land acquisition assistance expense. In November 2010, TCF purchased the land and transferred 2,900 acres to the State of Tennessee with the remainder protected by a conservation easement held by the Organization.

NOTE 19 - FARM AND RANCH LANDS PROTECTION PROGRAM

The Organization participates in the Farm and Ranch Lands Protection Program (the "FRPP"), a federal program in which the United States Department of Agriculture (the "USDA") provides up to 50% of the fair value of an easement to the land owner if an entity other than the landowner can match at least 25% of the fair value. During the year ending March 31, 2012, the Organization raised \$34,742 toward this program (\$221,423 in 2011). Those funds are reported under easement and land acquisition assistance revenue.