

CONESTEE FOUNDATION, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

CONESTEE FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Conestee Foundation, Inc.

We have audited the accompanying statements of financial position of Conestee Foundation, Inc. (a nonprofit organization) as of December 31, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Conestee Foundation, 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 Conestee Foundation, Inc. as of December 31, 2009 and 2008, 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.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
April 13, 2010

CONESTEE FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2009

(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2008)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2009 TOTAL</u>	<u>2008 TOTAL</u>
ASSETS					
Cash	\$ 20,935	63,048	-	83,983	\$ 69,407
Account Receivable	2,025	-	-	2,025	51,165
Accrued Revenue	-	-	-	-	518
Land	10,214	-	1,725,040	1,735,254	1,701,101
Land Improvements, Net	-	-	1,399,599	1,399,599	206,167
Construction in Progress	-	16,699	-	16,699	336,061
TOTAL ASSETS	<u>33,174</u>	<u>79,747</u>	<u>3,124,639</u>	<u>3,237,560</u>	<u>2,364,419</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts Payable	2,429	-	-	2,429	53,310
TOTAL LIABILITIES	<u>2,429</u>	<u>-</u>	<u>-</u>	<u>2,429</u>	<u>53,310</u>
NET ASSETS					
Unrestricted	30,745	-	-	30,745	42,436
Temporarily Restricted	-	79,747	-	79,747	371,619
Permanently Restricted	-	-	3,124,639	3,124,639	1,897,054
TOTAL NET ASSETS	<u>30,745</u>	<u>79,747</u>	<u>3,124,639</u>	<u>3,235,131</u>	<u>2,311,109</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 33,174</u>	<u>79,747</u>	<u>3,124,639</u>	<u>3,237,560</u>	<u>\$ 2,364,419</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditors' report.

CONESTEE FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2009

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2008)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2009 TOTAL</u>	<u>2008 TOTAL</u>
PUBLIC SUPPORT AND REVENUE					
Public Support					
Grants	\$ 120,290	1,006,876	-	1,127,166	\$ 565,876
Donations	5,425	-	-	5,425	8,031
Donation of Land	-	-	-	-	17,500
Net Assets Released from Restrictions	1,298,748	(1,298,748)	-	-	-
TOTAL PUBLIC SUPPORT	<u>1,424,463</u>	<u>(291,872)</u>	<u>-</u>	<u>1,132,591</u>	<u>591,407</u>
Revenue					
Interest income	820	-	-	820	1,414
TOTAL REVENUE	<u>820</u>	<u>-</u>	<u>-</u>	<u>820</u>	<u>1,414</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>1,425,283</u>	<u>(291,872)</u>	<u>-</u>	<u>1,133,411</u>	<u>592,821</u>
EXPENSES					
Program	116,470	-	-	116,470	133,470
Donation of Conservation Easements	5,000	-	-	5,000	1,333,000
Transfer of Land and Land Improvements Under Conservation Easements to Permanently Restricted	1,286,248	-	(1,286,248)	-	-
Depreciation	-	-	58,663	58,663	11,415
Management	14,517	-	-	14,517	7,900
Fund Raising	14,739	-	-	14,739	4,533
TOTAL PUBLIC SUPPORT	<u>1,436,974</u>	<u>-</u>	<u>(1,227,585)</u>	<u>209,389</u>	<u>1,490,318</u>
CHANGE IN NET ASSETS	(11,691)	(291,872)	1,227,585	924,022	(897,497)
NET ASSETS, BEGINNING OF YEAR	<u>42,436</u>	<u>371,619</u>	<u>1,897,054</u>	<u>2,311,109</u>	<u>3,208,606</u>
NET ASSETS, END OF YEAR	<u>\$ 30,745</u>	<u>79,747</u>	<u>3,124,639</u>	<u>3,235,131</u>	<u>\$ 2,311,109</u>

The notes to the financial statements are an integral part of this statement.
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CONESTEE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

**FOR THE YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2008)**

	PROGRAM	DONATION OF		TRANSFER OF LAND AND IMPROVEMENTS	MANAGEMENT	FUND RAISING	2009		2008	
		CONSERVATION EASEMENT					TOTAL	TOTAL	TOTAL	TOTAL
Transfer of Land and Land Improvements										
Restricted under Conservation Easement Granted	\$ -	-	1,286,248	-	-	-	1,286,248	\$	513,430	
Auditing Fees	3,500	-	-	-	-	-	3,500		3,430	
Computer support	5,077	-	-	-	-	-	5,077		-	
Consulting Services	6,273	-	-	-	-	-	6,273		30,590	
Contract Fees for Employees	61,207	-	-	11,397	9,097	-	81,701		72,002	
Donation of conservation easement	-	5,000	-	-	-	-	5,000		1,333,000	
Groundwater monitoring	-	-	-	-	-	-	-		14,140	
Insurance	4,092	-	-	-	-	-	4,092		3,424	
Land and Trail Maintenance	5,734	-	-	-	-	-	5,734		3,078	
Legal	50	-	-	-	-	-	50		6,752	
Miscellaneous	4,970	-	-	-	-	373	5,343		3,008	
Payroll and benefits	18,745	-	-	3,120	5,070	-	26,935		-	
Printing	1,020	-	-	-	199	-	1,219		1,827	
Property taxes	723	-	-	-	-	-	723		644	
Rent	512	-	-	-	-	-	512		4,904	
Supplies	1,911	-	-	-	-	-	1,911		2,104	
Utilities and telecommunications	2,656	-	-	-	-	-	2,656		-	
	\$ 116,470	5,000	1,286,248	14,517	14,739		1,436,974	\$	1,992,333	

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditors' report.

CONESTEE FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 924,022	\$ (897,497)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
(Increase) decrease in Accounts Receivable	49,658	(51,683)
Decrease in Accounts Payable	(50,881)	(9,492)
Depreciation	58,663	11,415
Value of donated land received	-	(17,500)
Value of donated conservation easements	-	1,333,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>981,462</u>	<u>368,243</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land	(34,153)	(97,144)
Purchase of Land Improvements	(932,733)	(292,677)
NET CASH USED IN INVESTING ACTIVITIES	<u>(966,886)</u>	<u>(389,821)</u>
NET INCREASE (DECREASE) IN CASH	14,576	(21,578)
CASH, BEGINNING OF YEAR	<u>69,407</u>	<u>90,985</u>
CASH, END OF YEAR	<u>\$ 83,983</u>	<u>\$ 69,407</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditors' report.

CONESTEE FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2008

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2008 TOTAL
ASSETS				
Cash	\$ 42,148	27,259	-	\$ 69,407
Account Receivable	-	51,165	-	51,165
Accrued Revenue	-	518	-	518
Land	10,214	-	1,690,887	1,701,101
Land Improvements, Net	-	-	206,167	206,167
Construction in Progress	-	336,061	-	336,061
TOTAL ASSETS	52,362	415,003	1,897,054	2,364,419
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable	9,926	43,384	-	53,310
TOTAL LIABILITIES	9,926	43,384	-	53,310
NET ASSETS				
Unrestricted	42,436	-	-	42,436
Temporarily Restricted	-	371,619	-	371,619
Permanently Restricted	-	-	1,897,054	1,897,054
TOTAL NET ASSETS	42,436	371,619	1,897,054	2,311,109
TOTAL LIABILITIES AND NET ASSETS	\$ 52,362	415,003	1,897,054	\$ 2,364,419

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditors' report.

CONESTEE FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2008 TOTAL</u>
PUBLIC SUPPORT AND REVENUE				
Public Support				
Grants	\$ 113,204	452,672	-	\$ 565,876
Donations	7,542	489	-	8,031
Donation of Land	17,500	-	-	17,500
Net Assets Released from Restrictions	1,878,209	(1,878,209)	-	-
TOTAL PUBLIC SUPPORT	<u>2,016,455</u>	<u>(1,425,048)</u>	<u>-</u>	<u>591,407</u>
Revenue				
Interest income	1,414	-	-	1,414
TOTAL REVENUE	<u>1,414</u>	<u>-</u>	<u>-</u>	<u>1,414</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>2,017,869</u>	<u>(1,425,048)</u>	<u>-</u>	<u>592,821</u>
EXPENSES				
Program	133,470	-	-	133,470
Donation of Conservation Easements	1,333,000	-	-	1,333,000
Transfer of Land and Land Improvements Under Conservation Easements to Permanently Restricted	513,430	-	(513,430)	-
Depreciation	-	-	11,415	11,415
Management	7,900	-	-	7,900
Fund Raising	4,533	-	-	4,533
TOTAL PUBLIC SUPPORT	<u>1,992,333</u>	<u>-</u>	<u>(502,015)</u>	<u>1,490,318</u>
CHANGE IN NET ASSETS	25,536	(1,425,048)	502,015	(897,497)
NET ASSETS, BEGINNING OF YEAR	<u>16,900</u>	<u>1,796,667</u>	<u>1,395,039</u>	<u>3,208,606</u>
NET ASSETS, END OF YEAR	<u>\$ 42,436</u>	<u>371,619</u>	<u>1,897,054</u>	<u>\$ 2,311,109</u>

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditors' report.

CONESTEE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2008

	PROGRAM	DONATION OF CONSERVATION EASEMENT	TRANSFER OF LAND AND IMPROVEMENTS	MANAGEMENT	FUND RAISING	2008 TOTAL
EXPENSES						
Transfer of Land and Land Improvements						
Restricted under Conservation			513,430	-	-	513,430
Easement Granted	\$ -	-	-	-	-	3,430
Auditing Fees	3,430	-	-	-	-	30,590
Consulting Services	30,590	-	-	-	-	72,002
Contract Fees for Employees	59,569	-	-	7,900	4,533	1,333,000
Donation of conservation easement	-	1,333,000	-	-	-	14,140
Groundwater monitoring	14,140	-	-	-	-	3,424
Insurance	3,424	-	-	-	-	3,078
Land and Trail Maintenance	3,078	-	-	-	-	6,752
Legal	6,752	-	-	-	-	3,008
Miscellaneous	3,008	-	-	-	-	1,827
Printing	1,827	-	-	-	-	644
Property taxes	644	-	-	-	-	4,904
Rent	4,904	-	-	-	-	2,104
Supplies	2,104	-	-	-	-	
	\$ 133,470	1,333,000	513,430	7,900	4,533	\$ 1,992,333

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditors' report.

CONESTEE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operation

Conestee Foundation, Inc. (the “Foundation”) is a nonprofit organization founded in 2000 to develop the Lake Conestee Nature Park (“LCNP”), located in Greenville County, South Carolina, and certain land adjacent to the LCNP. The Foundation received an initial grant from the Department of Natural Resources to acquire LCNP and receives third party donations and grants to acquire additional lands and develop the infrastructure outlined in the Master Plan for LCNP. From inception to April 15, 2005, the Foundation had been run entirely by volunteers. Effective April 16, 2005, the Foundation entered into a contract with the University of South Carolina, to provide a part time executive director. This contract was renewed on April 16, 2006, April 16, 2007 and Nov 16, 2008. The contract was terminated on August 31, 2009, and the executive director was hired as a full time employee of the Foundation. One additional staff member was added in 2007.

In February 2008, the Foundation signed a Service Contract and an Operating Agreement with the Greenville County Recreation District (“GCRD”). Through the Service Contract, Foundation staff will serve as consultants to GCRD. The term of the Service Contract is twenty-four months and is renewable for additional twenty-four month periods upon agreement of both parties. GCRD paid approximately \$103,000 of the Foundation’s operating expenses for the first twelve months and \$106,000 for the second twelve months using funds from hospitality taxes from Greenville County. The agreement has been renewed on April 13, 2010 for another twenty-four month period. The amount for the next two twelve month terms is \$106,000. The Service Contract may be terminated, among other reasons, if the Operating Agreement is terminated or if GCRD is unable to secure sufficient operating funds.

The Operating Agreement, which expires in 2038, outlines GCRD responsibilities for the on-the-ground maintenance of LCNP. The Operating Agreement also states that the intent of the Foundation is to continue the development of property it owns by adding structures, altering land surfaces or by other means.

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 and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may be or will be met either by actions of the Foundation 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 that consist of land and improvements under a conservation easement which permanently restricts the use and provides for public access.

Organization

The Foundation is nonprofit and exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no income taxes are provided in the financial statements. There was no unrelated business income for the years ended December 31, 2009 and 2008. Effective January 1, 2009, the Foundation adopted Financial Account Standards Board (“FASB”) Accounting Standards Codification 740-10 (formerly known as FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*). The adoption of this standard did not have an effect on the Foundation’s financial statements.

CONESTEE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the statement of cash flows, the Foundation considers all instruments with a maturity of three months or less at date of purchase to be cash equivalents.

Functional Allocation of Expenses

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

Conservation Easements

A conservation easement is an agreement between the Foundation and a qualified land trust in which the Foundation relinquishes some or all of the rights to develop the property. The easement is publicly recorded and is binding on all future owners of the property. The qualified land trust's principle responsibility is to ensure compliance with the terms of the easement. It meets this responsibility by periodically inspecting the property and, if necessary, taking appropriate action to enforce the easement.

Conservation easements are valued at the estimated value of the development rights relinquished under the easement; that is, the amount of the reduction in fair market value resulting from the easement at the date it is recorded. This value is established at or near the recording date based on management's best estimate of the value based on relevant facts and circumstances.

Each conservation easement donated by the Foundation provides that it cannot be transferred or assigned to any person or entity except to an organization that is qualified under the Internal Revenue Code to receive easements and that has the commitment, ability, and resources, to meet its responsibilities and obligations under the easement and to take the necessary steps to protect the historic and conservation values of the property. Accordingly, there is no market for the conservation easements donated by the Foundation.

Accounting Estimates

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

Subsequent Events

The financial statements were issued on April 13, 2010, and subsequent events have been evaluated through that date.

CONESTEE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 2 – LAND

Land is comprised of the following as of December 31, 2009 and 2008:

<u>Description</u>	<u>Acres</u>	<u>2009</u>	<u>2008</u>
Unrestricted			
Augusta Acres	1	\$ 7,000	\$ 7,000
Conestee village lots (3 in 2009 and 2008)	1	3,214	3,214
Total Unrestricted	2	10,214	10,214
Permanently Restricted			
Lake Conestee* (1)	151	200,000	200,000
Henderson Farm*	106	957,384	957,384
Forrester property* (2)	44	406,749	400,000
Reedy River wetland parcel*	81	95,930	95,930
Augusta Acres* (3)	3	30,404	3,000
Raines and Metro Sewer parcels	1	32,073	32,073
Conestee village lots (4 in 2009 and 2008)	1	2,500	2,500
Total Permanently Restricted	387	1,725,040	1,690,887
Total Land	389	\$ 1,735,254	\$ 1,701,101

* This land is under the Amended and Restated Conservation Easement.

(1) Approximately 6 acres of this property are not under the Easement.

(2) Approximately 4 acres of this property are not under the Easement.

(3) Approximately 1 acre of this property is not under the Easement.

All parcels are located in Greenville County, South Carolina.

On January 16, 2009, the Foundation agreed to swap 12 acres from the Forrester property with 15 acres adjacent to the Forrester property and along the Reedy River with the City of Greenville for no additional cost. Legal costs to complete this transaction of \$6,749 have been added to the cost for the Forrester property.

The Foundation will use the 15 acres for natural trails and to connect the east and west sides of LCNP along the Reedy River with a 215 foot pedestrian bridge. These 15 acres are included in the Amended and Restated Conservation Agreement (see Note 8). The City has leased the 12 acres along with other adjacent property including an existing minor league professional baseball stadium to the GCRD to build 4 new Little League baseball fields, renovate the existing baseball stadium and create a main entrance and parking for LCNP and the ball fields. The lease between the City and the GCRD is for 40 years.

NOTE 3 – LAND IMPROVEMENTS

Land improvements with a useful life of at least 3 years and with a cost or value greater than \$10,000 are recorded at original cost if purchased and recorded at fair market value if donated. Improvements consist of a rehabilitated park building used as the Foundation office, observation decks, helical piers and boardwalks, natural trails, a 215 foot structural pedestrian bridge connecting the park lands on the east and west sides of the Reedy River, and paved trails which are part of the Greenville County Swamp Rabbit Trail. Depreciation of improvements is provided on a straight line method over an estimated useful life of 20 years.

CONESTEE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 3 – LAND IMPROVEMENTS (CONTINUED)

Land improvements are comprised of the following at December 31, 2009 and 2008:

<u>Description</u>	<u>2009</u>	<u>2008</u>
Gosset Moran Office Building	\$ 40,457	\$ -
Boardwalks and decks	100,404	100,404
Paved and natural trails and boardwalks	725,268	127,906
Pedestrian Bridge over Reedy River	614,277	-
Total land improvements	1,480,406	228,310
Less depreciation	(80,807)	(22,143)
Total land improvements, net	<u>\$ 1,399,599</u>	<u>\$ 206,167</u>

NOTE 4 – CONSTRUCTION IN PROGRESS

During 2009, work was begun on the Phase III paved trail design work. As of December 31, 2009, this project has not been placed into service. Accordingly, the costs totaling \$16,699 are shown as Construction in Progress in the Statement of Financial Position as of December 31, 2009.

During 2008, substantial work was completed on the Phase II paved trail, design work on a 216 foot pedestrian bridge and renovations to an existing house that will be used for the LCNP office. As of December 31, 2008, none of these projects were placed into service. Accordingly, the costs totaling \$336,061 are shown as Construction in Progress in the Statement of Financial Position as of December 31, 2008. These projects have all been completed during 2009 and the costs have been transferred from construction in progress to depreciable assets.

NOTE 5– CONCENTRATION OF CREDIT RISK

The Foundation maintains its bank accounts at one bank. Accounts at an institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Cash at this bank did not exceed federally insured limits as of December 31, 2009 and 2008, respectively.

NOTE 6 – LINE OF CREDIT

The Foundation has a \$100,000 unsecured line of credit with interest at prime and matures in October 2010. No balance is outstanding as of December 31, 2009 and approximately \$3,500 was drawn and repaid during 2009. No balances were drawn during 2008.

NOTE 7 – TEMPORARILY RESTRICTED FUNDS

Temporarily restricted grants received in 2009 and 2008 are comprised of the following:

	<u>2009</u>	<u>2008</u>
Greenville County Hospitality Tax - Capital Improvement	\$ 866,876	\$ 332,742
SC Conservation Bank grant	-	95,930
Saluda Reedy Watershed Consortium dam study	-	24,000
Grant to build pedestrian bridge and trails	100,000	-
Grant for land acquisition and endowment fund contribution	40,000	-
Total	<u>\$ 1,006,876</u>	<u>\$ 452,672</u>

CONESTEE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 7 – TEMPORARILY RESTRICTED FUNDS (CONTINUED)

Greenville County Hospitality Tax Capital Improvement

In March 2008, the Foundation signed an agreement with Greenville County whereby the County will provide up to \$2 million in capital grants for the constructing of additional nature, hiking and biking trails, construction of a pedestrian bridge and other projects. Greenville County will fund these grants using a portion of the proceeds from a recently issued Certificates of Participation bonds secured by future Hospitality Tax revenues.

As of December 31, 2009, construction was completed on the Phase II paved trail and boardwalk, construction of a 215 foot pedestrian bridge over the Reedy River and the renovations of an existing house that is now used as the LCNP office. Engineering design work is underway for the Phase III paved trail network which is part of the Swamp Rabbit Trail.

SC Conservation Bank Grant

In 2008, the Foundation received a grant from the SC Conservation Bank to purchase approximately 11 acres from the City of Greenville, SC for \$95,930. In conjunction with this purchase the City of Greenville agreed to donate to the Foundation an additional approximately 70 acres adjacent to this property. The transaction closed in August, 2008.

Saluda Reedy Watershed Consortium dam study

In 2008, the Foundation was awarded a \$24,000 grant from the Saluda Reedy Watershed Consortium to prepare an emergency action plan for the LCNP dam, remove vegetation from the dam and conduct a preliminary study of the dam's stability. This work was substantially completed during 2008.

Grant to build pedestrian bridge and trails

The foundation was successful in obtaining a \$100,000 South Carolina Parks Recreation and Tourism (SCPRT) grant to construct a pedestrian bridge over the Reedy River connecting the Forrester property to the Henderson Farm property along with a natural trail on the east side of the Reedy River. This is a reimbursable grant requiring a 25% local match. In 2007, the Foundation was awarded and received a matching grant of \$29,453 to cover the 25% local match for the SCPRT grant. Design work and the significant costs to complete this project above these two grants were funded by the Greenville County Hospitality Tax funds.

Grant for land acquisition and endowment fund contribution

In 2009, the Foundation was awarded a \$40,000 grant to be used for the acquisition of additional land parcels, the payment of a requested endowment fund contribution to Upstate Forever for accepting the conservation easement and other purposes as decided by the Foundation Board. In 2009, \$5,000 was paid to Upstate Forever to cover their endowment fund request.

NOTE 8 – PERMANENTLY RESTRICTED FUNDS

On November 16, 2005, the Foundation granted and recorded in the public records a conservation easement to Upstate Forever, a qualified land trust, that significantly restricts the use of the Lake Conestee and Henderson Farm properties currently owned by the Foundation, and provides for public access to the LCNP.

On June 19, 2009 the Foundation granted and recorded in the public records an Amended and Restated Conservation Easement to Upstate Forever, a qualified land trust, that added approximately 125 acres to the existing easement. The easement, totaling approximately 374 acres, continues to significantly restrict the use of the LCNP property and provides for public access to LCNP.

CONESTEE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 8 – PERMANENTLY RESTRICTED FUNDS (CONTINUED)

The estimated value of the donated conservation easement of \$1,333,000 was recorded as an expense in 2008 and reduced the carrying value of the Forrester property. The purchase of the Reedy River wetlands parcel was accompanied by a donation from the City of Greenville of approximately 70 acres. Accordingly, no value was assigned to the conservation easement on this property.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Foundation entered into a Voluntary Cleanup Contract (“VCC”) with the South Carolina Department of Health and Environmental Control (DHEC) under the Environmental Protection Agency (EPA) Targeted Brown Fields program to manage the original lake bed site for its intended use as the Lake Conestee Nature Park. The VCC was finalized in 2007, and a restrictive covenant was recorded in the public records on October 25, 2007, in Greenville County, South Carolina requiring the Foundation to manage the use of the site to provide reasonable protection to the public. The VCC is conditional on continued groundwater monitoring. The first annual monitoring was substantially completed in 2008. Based on the results from the first year monitoring, DHEC has waived the requirement for future monitoring.

The Foundation is dependent upon grants, contracts, and contributions. The Foundation must apply for renewals of grants and contracts. Funding is subject to increases or decreases at the discretion of the contractors, grantors or donors.

As noted in a study that was completed in 2008, the Lake Conestee Dam is in need of future restoration along with immediate repairs and maintenance. The repairs and maintenance include the periodic removal of large woody debris, removal of vegetation atop and adjacent to the dam, removal of nonfunctional hardware atop the dam, and design and completion of temporary repairs to the penstock and sluice gates. Engineering studies and dam restoration design will be needed along with the possible removal of sediment wedged behind the dam and the construction of a buttressing wall across the face of the existing dam. The amount of these future repairs and maintenance is currently undeterminable and the source to fund these future costs has not been identified.

NOTE 10 – RELATED PARTY

The volunteer Chairman and Treasurer of the Foundation is a member of the Board of Directors of Upstate Forever and its Treasurer.