

**CONESTEE FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**



**CONESTEE FOUNDATION, INC.**

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**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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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, 2010 and 2009, 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, 2010 and 2009, 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  
March 4, 2011



CONESTEE FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010

(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2009)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2010 TOTAL</u>	<u>2009 TOTAL</u>
<b>ASSETS</b>					
Cash	\$ 30,295	49,500	-	79,795	\$ 83,983
Account Receivable	-	-	-	-	2,025
Land	3,214	-	1,832,013	1,835,227	1,735,254
Land Improvements, Net	-	-	1,371,515	1,371,515	1,399,599
Construction in Progress	-	111,225	-	111,225	16,699
<b>TOTAL ASSETS</b>	<u>33,509</u>	<u>160,725</u>	<u>3,203,528</u>	<u>3,397,762</u>	<u>3,237,560</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES</b>					
Accounts Payable	4,167	-	-	4,167	2,429
<b>TOTAL LIABILITIES</b>	<u>4,167</u>	<u>-</u>	<u>-</u>	<u>4,167</u>	<u>2,429</u>
<b>NET ASSETS</b>					
Unrestricted	29,342	-	-	29,342	30,745
Temporarily Restricted	-	160,725	-	160,725	79,747
Permanently Restricted	-	-	3,203,528	3,203,528	3,124,639
<b>TOTAL NET ASSETS</b>	<u>29,342</u>	<u>160,725</u>	<u>3,203,528</u>	<u>3,393,595</u>	<u>3,235,131</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 33,509</u>	<u>160,725</u>	<u>3,203,528</u>	<u>3,397,762</u>	<u>\$ 3,237,560</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, 2010

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

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2010 TOTAL</u>	<u>2009 TOTAL</u>
<b>PUBLIC SUPPORT AND REVENUE</b>					
Public Support					
Grants	\$ 120,975	232,192	-	353,167	\$ 1,127,166
Donations	13,092	-	-	13,092	5,425
Net Assets Released from Restrictions	151,214	(151,214)	-	-	-
<b>TOTAL PUBLIC SUPPORT</b>	<u>285,281</u>	<u>80,978</u>	<u>-</u>	<u>366,259</u>	<u>1,132,591</u>
Revenue					
Interest income	527	-	-	527	820
<b>TOTAL REVENUE</b>	<u>527</u>	<u>-</u>	<u>-</u>	<u>527</u>	<u>820</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>285,808</u>	<u>80,978</u>	<u>-</u>	<u>366,786</u>	<u>1,133,411</u>
<b>EXPENSES</b>					
Program	109,578	-	-	109,578	116,470
Donation of Conservation Easements	-	-	-	-	5,000
Transfer of Land and Land Improvements Under Conservation Easements to Permanently Restricted	155,327	-	(155,327)	-	-
Depreciation	-	-	76,438	76,438	58,663
Management	11,585	-	-	11,585	14,517
Fund Raising	10,721	-	-	10,721	14,739
<b>TOTAL PUBLIC SUPPORT</b>	<u>287,211</u>	<u>-</u>	<u>(78,889)</u>	<u>208,322</u>	<u>209,389</u>
<b>CHANGE IN NET ASSETS</b>	(1,403)	80,978	78,889	158,464	924,022
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>30,745</u>	<u>79,747</u>	<u>3,124,639</u>	<u>3,235,131</u>	<u>2,311,109</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 29,342</u>	<u>160,725</u>	<u>3,203,528</u>	<u>3,393,595</u>	<u>\$ 3,235,131</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, 2010  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)**

	<b>TRANSFER OF LAND AND</b>					
	<b>PROGRAM</b>	<b>IMPROVEMENTS</b>	<b>MANAGEMENT</b>	<b>FUND RAISING</b>	<b>2010 TOTAL</b>	<b>2009 TOTAL</b>
<b>EXPENSES</b>						
Transfer of Land and Land Improvements						
Restricted under Conservation						
Easement Granted	\$ -	155,327	-	-	155,327	\$ 1,286,248
Auditing Fees	3,800	-	-	-	3,800	3,500
Computer support	224	-	-	-	224	5,077
Consulting Services	1,335	-	-	77	1,412	6,273
Contract Fees for Employees	44,202	-	2,355	2,147	48,704	81,701
Donation of conservation easement	-	-	-	-	-	5,000
Insurance	4,049	-	-	-	4,049	4,092
Land and Trail Maintenance	3,472	-	-	-	3,472	5,734
Legal	50	-	-	-	50	50
Miscellaneous	7,427	-	-	15	7,442	5,343
Payroll and benefits	38,445	-	9,230	8,320	55,995	26,935
Printing	930	-	-	94	1,024	1,219
Property taxes	1,110	-	-	-	1,110	723
Rent	-	-	-	-	-	512
Supplies	966	-	-	68	1,034	1,911
Utilities and telecommunications	3,568	-	-	-	3,568	2,656
	<b>\$ 109,578</b>	<b>155,327</b>	<b>11,585</b>	<b>10,721</b>	<b>287,211</b>	<b>\$ 1,436,974</b>

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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 158,464	\$ 924,022
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
(Increase) decrease in Accounts Receivable	2,025	49,658
Increase (decrease) in Accounts Payable	1,738	(50,881)
Depreciation	76,438	58,663
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>238,665</u>	<u>981,462</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Land	(99,973)	(34,153)
Purchase of Land Improvements	(142,880)	(932,733)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(242,853)</u>	<u>(966,886)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(4,188)	14,576
<b>CASH, BEGINNING OF YEAR</b>	<u>83,983</u>	<u>69,407</u>
<b>CASH, END OF YEAR</b>	<u>\$ 79,795</u>	<u>\$ 83,983</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, 2009

	<b>UNRESTRICTED</b>	<b>TEMPORARILY RESTRICTED</b>	<b>PERMANENTLY RESTRICTED</b>	<b>2009 TOTAL</b>
<b>ASSETS</b>				
Cash	\$ 20,935	63,048	-	\$ 83,983
Account Receivable	2,025	-	-	2,025
Land	10,214	-	1,725,040	1,735,254
Land Improvements, Net	-	-	1,399,599	1,399,599
Construction in Progress	-	16,699	-	16,699
<b>TOTAL ASSETS</b>	<b>33,174</b>	<b>79,747</b>	<b>3,124,639</b>	<b>3,237,560</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts Payable	2,429	-	-	2,429
<b>TOTAL LIABILITIES</b>	<b>2,429</b>	<b>-</b>	<b>-</b>	<b>2,429</b>
<b>NET ASSETS</b>				
Unrestricted	30,745	-	-	30,745
Temporarily Restricted	-	79,747	-	79,747
Permanently Restricted	-	-	3,124,639	3,124,639
<b>TOTAL NET ASSETS</b>	<b>30,745</b>	<b>79,747</b>	<b>3,124,639</b>	<b>3,235,131</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 33,174</b>	<b>79,747</b>	<b>3,124,639</b>	<b>\$ 3,237,560</b>

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

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

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

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, 2010 AND 2009**

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**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. The contract was terminated on August 31, 2009, and the executive director was hired as a full time employee of the Foundation. The executive director resigned on September 2, 2010, and the Foundation entered into a contract with Hargett Resources, Inc to provide a part time executive director. 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 was renewed on April 13, 2010 for another twenty-four month period. The amount for the 2010 term is \$106,000 and the amount for the 2011 term is \$85,000. 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 primarily under a conservation easement which permanently restricts the use and provides for public access.

**CONESTEE FOUNDATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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, 2010 and 2009. 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.

***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.

The estimated value of a conservation easement is based on 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. The Foundation has reduced the carrying value of its land under a conservation easement to reflect the reduction in fair market value at or near the date the easement was recorded.

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 easement 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 March 4, 2011, and subsequent events have been evaluated through that date.

**CONESTEE FOUNDATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

**NOTE 2 – LAND**

Land is comprised of the following as of December 31, 2010 and 2009:

<u>Description</u>	<u>Acres</u>	<u>2010</u>	<u>2009</u>
<b>Unrestricted</b>			
Augusta Acres		\$ -	\$ 7,000
Conestee village lots (3 in 2009 and 2008)	1	3,214	3,214
Total Unrestricted	1	3,214	10,214
<b>Permanently Restricted</b>			
Lake Conestee* (1)	151	200,000	200,000
Henderson Farm*	106	957,384	957,384
Forrester property* (2)	44	409,374	406,749
Breazeale Farm* (3)	82	111,436	95,930
Augusta Acres* (4)	5	43,264	30,404
Raines and Metro Sewer parcels	1	32,073	32,073
Conestee village lots (15 in 2010 and 4 in 2009)	4	78,482	2,500
Total Permanently Restricted	393	1,832,013	1,725,040
Total Land	394	\$ 1,835,227	\$ 1,735,254

\* 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.

(4) Approximately 3 acres of this property are 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 used 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, 2010 AND 2009**

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**NOTE 3 – LAND IMPROVEMENTS (CONTINUED)**

Land improvements are permanently restricted and are comprised of the following at December 31, 2010 and 2009:

<u>Description</u>	<u>2010</u>	<u>2009</u>
Gosset Moran Office Building	\$ 44,567	\$ 40,457
Boardwalks and decks	100,404	100,404
Paved and natural trails and boardwalks	772,830	725,268
Pedestrian Bridge over Reedy River	610,958	614,277
Total land improvements	1,528,759	1,480,406
Less depreciation	(157,244)	(80,807)
Total land improvements, net	<u>\$ 1,371,515</u>	<u>\$ 1,399,599</u>

**NOTE 4 – CONSTRUCTION IN PROGRESS**

During 2009, work was begun on the Phase III paved trail design work. As of December 31, 2010 and 2009, this project has not been completed and placed into service (see Note 9). Accordingly, the costs totaling \$111,225 and \$16,699 are shown as Construction in Progress in the Statement of Financial Position as of December 31, 2010 and 2009, respectively.

**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, 2010 and 2009, respectively.

**NOTE 6 – LINE OF CREDIT**

The Foundation has a \$150,000 unsecured line of credit with interest at prime plus 1.5% (with a floor of 4.75%) and matures on September 10, 2011. No balances were drawn during 2010. No balance is outstanding as of December 31, 2009 and approximately \$3,500 was drawn and repaid during 2009.

**NOTE 7 – TEMPORARILY RESTRICTED FUNDS**

Temporarily restricted grants received in 2010 and 2009 are comprised of the following:

	<u>2010</u>	<u>2009</u>
Greenville County Hospitality Tax - Capital Improvement	\$ 184,692	\$ 866,876
Environmental Education Program Development	47,500	-
Grant to build pedestrian bridge and trails	-	100,000
Grant for land acquisition and endowment fund contribution	-	40,000
Total	<u>\$ 232,192</u>	<u>\$ 1,006,876</u>

**CONESTEE FOUNDATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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**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 was underway for the Phase III paved trail network which is part of the Swamp Rabbit Trail. See Note 9 for more information on Phase III. Additional land was purchased along the trails.

***Environmental Education Program Development***

In 2010, the Foundation was awarded three grants totaling \$47,500, to develop an innovative environmental education experience that: 1) gets students outdoors; 2) provides lessons on environmental science principles centered around the ecosystems, physical setting, and history of the park; and 3) utilizes the internet to deliver the related educational content. The plan also calls for establishing 25 learning stations along the trails.

***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 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. In 2010, \$35,000 was used along with Greenville County Hospitality Tax funds to acquire additional land along the trails.

**NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS**

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, 2010 AND 2009**

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**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

*Phase III*

The Foundation is in the process of constructing the lower two miles of the Swamp Rabbit Trail (from I-85 at the Parkins Mill Road interchange south to LCNP). This project, referred to as Phase III, will include paved trails, boardwalks and bridges and is estimated to cost approximately \$1,011,000.

The Phase III project is being funded in part through an agreement that was executed in September 2009 between the Tennessee Valley Authority (“TVA”), the Appalachian Regional Commission (“ARC”), and GCRD, in care of the Foundation; ARC will provide \$250,000 to GCRD. GCRD is responsible for compliance with this agreement. Pursuant to a contract between ARC and TVA, ARC will provide the financial assistance for this project as noted above; TVA will administer the funds provided by ARC and will provide technical advice and assistance, but no financial assistance. GCRD will reimburse the Foundation as construction commences when funds have been received.

In addition, approximately \$561,000 in funding will be provided by Greenville County Hospitality Tax funds as part of the agreement signed in March 2008. Also, the State of South Carolina will provide \$200,000 in two SCPRT grants for this project.

As of December 31, 2010, the Foundation had executed three contracts for the engineering and construction for Phase III, with outstanding commitments of approximately \$650,000. In February 2011 the Foundation executed another construction contract for this project in the amount of approximately \$284,000.

*Voluntary Cleanup Contract*

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.

*Lake Conestee Dam*

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.

*Other*

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.

**CONESTEE FOUNDATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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**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.

**NOTE 11 – SUBSEQUENT EVENTS**

The Foundation has been notified that it has been awarded a \$200,000 grant from the Environmental Protection Agency (“EPA”), South Carolina Brownfields Cleanup Revolving Loan Fund (“BCRLF”), Cleanup Grant Funds to perform interim corrective measures on the Conestee Dam and complete preliminary engineering and design services, including cost estimates to identify more permanent solutions. The final contracts are expected to be finalized in March 2011.