

CONESTEE FOUNDATION, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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, 2011 and 2010, 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, 2011 and 2010, 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 26, 2012

CONESTEE FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2011

(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2010)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2011 TOTAL	2010 TOTAL
ASSETS					
Cash	\$ 32,793	56,075	-	88,868	\$ 79,795
Account Receivable	-	32,387	-	32,387	-
Land	3,214	-	1,908,254	1,911,468	1,835,227
Land Improvements, Net	-	-	1,694,827	1,694,827	1,371,515
Construction in Progress	-	-	-	-	111,225
TOTAL ASSETS	36,007	88,462	3,603,081	3,727,550	3,397,762
LIABILITIES AND NET ASSETS					
LIABILITIES					
Mortgage Note Payable	-	50,000	-	50,000	-
Accounts Payable	4,367	-	-	4,367	4,167
TOTAL LIABILITIES	4,367	50,000	-	54,367	4,167
NET ASSETS					
Unrestricted	31,640	-	-	31,640	29,342
Temporarily Restricted	-	38,462	-	38,462	160,725
Permanently Restricted	-	-	3,603,081	3,603,081	3,203,528
TOTAL NET ASSETS	31,640	38,462	3,603,081	3,673,183	3,393,595
TOTAL LIABILITIES AND NET ASSETS	\$ 36,007	88,462	3,603,081	3,727,550	\$ 3,397,762

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, 2011

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2011 TOTAL</u>	<u>2010 TOTAL</u>
PUBLIC SUPPORT AND REVENUE					
Public Support					
Grants	\$ 99,578	1,138,578	-	1,238,156	\$ 353,167
Donations	5,163	-	-	5,163	13,092
Net Assets Released from Restrictions	1,260,841	(1,260,841)	-	-	-
TOTAL PUBLIC SUPPORT	<u>1,365,582</u>	<u>(122,263)</u>	<u>-</u>	<u>1,243,319</u>	<u>366,259</u>
Revenue					
Interest income	291	-	-	291	527
TOTAL REVENUE	<u>291</u>	<u>-</u>	<u>-</u>	<u>291</u>	<u>527</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>1,365,873</u>	<u>(122,263)</u>	<u>-</u>	<u>1,243,610</u>	<u>366,786</u>
EXPENSES					
Program	130,896	-	-	130,896	109,578
Transfer of Assets to Greenville County Recreation District	738,443	-	-	738,443	-
Transfer of Land and Land Improvements Under Conservation Easements to Permanently Restricted	486,241	-	(486,241)	-	-
Depreciation	-	-	86,688	86,688	76,438
Management	4,043	-	-	4,043	11,585
Fund Raising	3,952	-	-	3,952	10,721
TOTAL PUBLIC SUPPORT	<u>1,363,575</u>	<u>-</u>	<u>(399,553)</u>	<u>964,022</u>	<u>208,322</u>
CHANGE IN NET ASSETS	2,298	(122,263)	399,553	279,588	158,464
NET ASSETS, BEGINNING OF YEAR	<u>29,342</u>	<u>160,725</u>	<u>3,203,528</u>	<u>3,393,595</u>	<u>3,235,131</u>
NET ASSETS, END OF YEAR	<u>\$ 31,640</u>	<u>38,462</u>	<u>3,603,081</u>	<u>3,673,183</u>	<u>\$ 3,393,595</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, 2011

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010)

EXPENSES	<u>PROGRAM</u>	<u>MANAGEMENT</u>	<u>FUND RAISING</u>	<u>2011 TOTAL</u>	<u>2010 TOTAL</u>
Auditing Fees	\$ 3,800	-	-	3,800	\$ 3,800
Computer support	553	-	-	553	224
Consulting Services	29,198	-	414	29,612	1,412
Contract Fees for Employees	79,391	4,043	3,280	86,714	48,704
Insurance	4,039	-	-	4,039	4,049
Land and Trail Maintenance	4,361	-	-	4,361	3,472
Legal	2,374	-	-	2,374	50
Miscellaneous	2,770	-	86	2,856	7,442
Payroll and benefits	-	-	-	-	55,995
Printing	395	-	172	567	1,024
Property taxes	888	-	-	888	1,110
Supplies	345	-	-	345	1,034
Utilities and telecommunications	2,782	-	-	2,782	3,568
	<u>\$ 130,896</u>	<u>4,043</u>	<u>3,952</u>	<u>138,891</u>	<u>131,884</u>
Transfer of Land and Land Improvements Restricted under Conservation Easements Granted				486,241	155,327
Transfer of Assets to Greenville County Recreation District				738,443	-
				<u>1,363,575</u>	<u>\$ 287,211</u>

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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 279,588	\$ 158,464
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
(Increase) decrease in Accounts Receivable	(32,387)	2,025
Increase (decrease) in Accounts Payable	200	1,738
Depreciation	86,688	76,438
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>334,089</u>	<u>238,665</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land	(76,241)	(99,973)
Purchase of Land Improvements	(298,775)	(142,880)
NET CASH USED IN INVESTING ACTIVITIES	<u>(375,016)</u>	<u>(242,853)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Mortgage Note Payable	50,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>50,000</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	9,073	(4,188)
CASH, BEGINNING OF YEAR	<u>79,795</u>	<u>83,983</u>
CASH, END OF YEAR	<u>\$ 88,868</u>	<u>\$ 79,795</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, 2010

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2010 TOTAL</u>
ASSETS				
Cash	\$ 30,295	49,500	-	\$ 79,795
Account Receivable	-	-	-	-
Land	3,214	-	1,832,013	1,835,227
Land Improvements, Net	-	-	1,371,515	1,371,515
Construction in Progress	-	111,225	-	111,225
TOTAL ASSETS	<u>33,509</u>	<u>160,725</u>	<u>3,203,528</u>	<u>3,397,762</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable	4,167	-	-	4,167
TOTAL LIABILITIES	<u>4,167</u>	<u>-</u>	<u>-</u>	<u>4,167</u>
NET ASSETS				
Unrestricted	29,342	-	-	29,342
Temporarily Restricted	-	160,725	-	160,725
Permanently Restricted	-	-	3,203,528	3,203,528
TOTAL NET ASSETS	<u>29,342</u>	<u>160,725</u>	<u>3,203,528</u>	<u>3,393,595</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 33,509</u>	<u>160,725</u>	<u>3,203,528</u>	<u>\$ 3,397,762</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

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2010 TOTAL</u>
PUBLIC SUPPORT AND REVENUE				
Public Support				
Grants	\$ 120,975	232,192	-	\$ 353,167
Donations	13,092	-	-	13,092
Net Assets Released from Restrictions	151,214	(151,214)	-	-
TOTAL PUBLIC SUPPORT	<u>285,281</u>	<u>80,978</u>	<u>-</u>	<u>366,259</u>
Revenue				
Interest income	527	-	-	527
TOTAL REVENUE	<u>527</u>	<u>-</u>	<u>-</u>	<u>527</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>285,808</u>	<u>80,978</u>	<u>-</u>	<u>366,786</u>
EXPENSES				
Program	109,578	-	-	109,578
Transfer of Land and Land Improvements Under Conservation Easements to Permanently Restricted	155,327	-	(155,327)	-
Depreciation	-	-	76,438	76,438
Management	11,585	-	-	11,585
Fund Raising	10,721	-	-	10,721
TOTAL PUBLIC SUPPORT	<u>287,211</u>	<u>-</u>	<u>(78,889)</u>	<u>208,322</u>
CHANGE IN NET ASSETS	(1,403)	80,978	78,889	158,464
NET ASSETS, BEGINNING OF YEAR	<u>30,745</u>	<u>79,747</u>	<u>3,124,639</u>	<u>3,235,131</u>
NET ASSETS, END OF YEAR	<u>\$ 29,342</u>	<u>160,725</u>	<u>3,203,528</u>	<u>\$ 3,393,595</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

	<u>PROGRAM</u>	<u>MANAGEMENT</u>	<u>FUND RAISING</u>	<u>2010 TOTAL</u>
EXPENSES				
Auditing Fees	\$ 3,800	-	-	\$ 3,800
Computer support	224	-	-	224
Consulting Services	1,335	-	77	1,412
Contract Fees for Employees	44,202	2,355	2,147	48,704
Donation of conservation easement	-	-	-	-
Insurance	4,049	-	-	4,049
Land and Trail Maintenance	3,472	-	-	3,472
Legal	50	-	-	50
Miscellaneous	7,427	-	15	7,442
Payroll and benefits	38,445	9,230	8,320	55,995
Printing	930	-	94	1,024
Property taxes	1,110	-	-	1,110
Rent	-	-	-	-
Supplies	966	-	68	1,034
Utilities and telecommunications	3,568	-	-	3,568
	<u>\$ 109,578</u>	<u>11,585</u>	<u>10,721</u>	<u>131,884</u>
Transfer of Land and Land Improvements Under Conservation Easements to Permanently Restricted				155,327
				<u>\$ 287,211</u>

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, 2011 AND 2010

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. The agreement was renewed on April 13, 2010 for a twenty-four month period. The amount for the 2010 term is \$106,000 and the amount for the 2011 term is \$86,500. 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.

On February 21, 2012, the Service Agreement was renewed for an additional twelve month period in the amount of \$86,500.

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 that permanently restricts the use and provides for public access.

CONESTEE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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, 2011 and 2010.

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 26, 2012, and subsequent events have been evaluated through that date.

CONESTEE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 2 – LAND

Land is comprised of the following as of December 31, 2011 and 2010:

<u>Description</u>	<u>Acres</u>	<u>2011</u>	<u>2010</u>
Unrestricted			
Conestee village lots (3 in 2011 and 2010)	1	\$ 3,214	\$ 3,214
Total Unrestricted	1	3,214	3,214
Permanently Restricted			
Lake Conestee* (1)	151	200,000	200,000
Henderson Farm*	106	957,384	957,384
Forrester property* (2)	44	409,374	409,374
Breazeale Farm* (3)	86	115,412	111,436
Augusta Acres* (4)	7	43,264	43,264
Raines and Metro Sewer parcels	1	32,073	32,073
Conestee village lots (19 in 2011 and 15 in 2010)	6	150,747	78,482
Total Permanently Restricted	401	1,908,254	1,832,013
Total Land	402	\$ 1,911,468	\$ 1,835,227

* 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 4 acres of this property are not under the Easement.

(4) Approximately 5 acres of this property are not under the Easement.

(5) Approximately 2 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.

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 9). 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, 2011 AND 2010

NOTE 3 – LAND IMPROVEMENTS (CONTINUED)

Land improvements are permanently restricted and are comprised of the following at December 31, 2011 and 2010:

<u>Description</u>	<u>2011</u>	<u>2010</u>
Gosset Moran Office Building	\$ 44,567	\$ 44,567
Paved and natural trails and boardwalks	1,283,234	873,234
Pedestrian Bridge over Reedy River	610,958	610,958
Total land improvements	1,938,759	1,528,759
Less depreciation	(243,932)	(157,244)
Total land improvements, net	<u>\$ 1,694,827</u>	<u>\$ 1,371,515</u>

NOTE 4 – CONSTRUCTION IN PROGRESS

During 2009, work was begun on the Phase III paved trail design work. As of December 31, 2011, this project has been completed and placed into service. Costs totaling \$111,225 are shown as Construction in Progress in the Statement of Financial Position as of December 31, 2010.

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, 2011 and 2010, 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 October 21, 2012. No balances were drawn during 2011 or 2010.

NOTE 7 – MORTGAGE NOTE PAYABLE

In July 2011 the Foundation entered into a mortgage note payable in the amount of \$50,000 in connection with the acquisition of certain land parcels in 2011. The note carries an interest rate of 0.5%. A principal payment of \$25,000 was paid when due on January 31, 2012; the remaining principal of \$25,000 plus interest is due on September 30, 2012.

NOTE 8 – TEMPORARILY RESTRICTED FUNDS

Temporarily restricted grants received in 2011 and 2010 are comprised of the following:

	<u>2011</u>	<u>2010</u>
Greenville County Hospitality Tax - Capital Improvement	\$ 591,659	\$ 184,692
Grants to Build Trails	450,000	-
Grant for Land Acquisition	75,000	-
Grant for Interim Repairs to the Dam and Engineering Studies	21,419	-
Grant for Native Plant Garden	500	-
Environmental Education Program Development	-	47,500
Total	<u>\$ 1,138,578</u>	<u>\$ 232,192</u>

CONESTEE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 8 – 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, 2011, construction was completed on both Phase II and Phase III paved trails and boardwalks, 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. See next paragraph for more information on Phase III. Additional land was also purchased along the trails.

Grants to build trails

During 2011, the Foundation completed construction of the lower two miles of the Swamp Rabbit Trail (from I-85 at the Parkins Mill Road interchange south through LCNP). This project, referred to as Phase III, includes paved trails, boardwalks and bridges and was estimated to cost approximately \$1,148,400. Approximately \$410,000 of this cost is on Foundation property and is therefore recorded as additional fixed assets. The balance of the cost of approximately \$738,400, was constructed on property owned by Renewable Water Resources (“ReWa”) and has been transferred to GCRD. GCRD has a long-term agreement with ReWa to maintain and manage the trails. The Foundation acted in an administrative role to accept the grants and oversee the construction of the entire project. With the transfer of assets, the Foundation has no further responsibility for the assets located on ReWa property.

The Phase III project was 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.

Two South Carolina Parks Recreation and Tourism (SCPRT) grants of \$100,000 each were also used to partially fund the construction of the Phase III trails.

In addition, approximately \$600,000 in funding was provided by Greenville County Hospitality Tax funds as part of the agreement signed in March 2008.

Grant for land acquisition

In 2011, the Foundation was awarded a \$75,000 grant to be used for the acquisition of additional land parcels and other purposes as decided by the Foundation Board. In 2010, \$35,000 of a 2009 grant totaling \$40,000 was used along with Greenville County Hospitality Tax funds to acquire additional land along the trails.

Grant for interim repairs to the dam and engineering studies

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.

CONESTEE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 8 – TEMPORARILY RESTRICTED FUNDS (CONTINUED)

Grant for interim repairs to the dam and engineering studies (continued)

The Foundation was 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 grant is a reimbursable grant and during 2011, the Foundation received \$21,419 towards the total grant of \$200,000.

The amount of these future repairs and maintenance is currently undeterminable and the source to fund these future costs has not been identified.

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 up to 38 learning stations along the trails. The grant should be completed in the first half of 2012

NOTE 9 – 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.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

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.

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.

The Foundation was awarded a SCPRT 2011 Trails grant in the amount of \$100,000 to build additional trails within the park. The grant requires matching funds of \$25,000.

CONESTEE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 10 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Other (Continued)

In February 2012, the Foundation was awarded a grant in the amount of \$78,000 from a local private foundation to be used for the acquisition of strategically targeted land parcels and park related maintenance equipment.

NOTE 11 – RELATED PARTY

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

Hargett Resources, Inc provides the Foundation's part time Executive Director and has also been engaged to complete the engineering studies and interim corrective measures on the dam in the amount of \$200,000.