

CONESTEE FOUNDATION, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the 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, 2008 and 2007, 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
July 22, 2009

CONESTEE FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2008

(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2007)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2008 TOTAL	2007 TOTAL
ASSETS					
Cash	\$ 42,148	27,259	-	69,407	\$ 90,985
Account Receivable	-	51,165	-	51,165	-
Accrued Revenue	-	518	-	518	-
Land	10,214	-	1,690,887	1,701,101	2,919,457
Land Improvements, Net	-	-	206,167	206,167	217,582
Construction in Progress	-	336,061	-	336,061	-
TOTAL ASSETS	52,362	415,003	1,897,054	2,364,419	3,228,024
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts Payable	9,926	43,384	-	53,310	19,418
TOTAL LIABILITIES	9,926	43,384	-	53,310	19,418
NET ASSETS					
Unrestricted	42,436	-	-	42,436	16,900
Temporarily Restricted	-	371,619	-	371,619	1,796,667
Permanently Restricted	-	-	1,897,054	1,897,054	1,395,039
TOTAL NET ASSETS	42,436	371,619	1,897,054	2,311,109	3,208,606
TOTAL LIABILITIES AND NET ASSETS	\$ 52,362	415,003	1,897,054	2,364,419	\$ 3,228,024

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

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2007)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2008 TOTAL</u>	<u>2007 TOTAL</u>
PUBLIC SUPPORT AND REVENUE					
Public Support					
Grants	\$ 113,204	452,672	-	565,876	\$ 136,569
Donations	7,542	489	-	8,031	2,543
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>	<u>139,112</u>
Revenue					
Interest income	1,414	-	-	1,414	6,962
TOTAL REVENUE	<u>1,414</u>	<u>-</u>	<u>-</u>	<u>1,414</u>	<u>6,962</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>2,017,869</u>	<u>(1,425,048)</u>	<u>-</u>	<u>592,821</u>	<u>146,074</u>
EXPENSES					
Program	133,470	-	-	133,470	134,862
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	8,218
Management	7,900	-	-	7,900	5,067
Fund Raising	4,533	-	-	4,533	8,448
TOTAL PUBLIC SUPPORT	<u>1,992,333</u>	<u>-</u>	<u>(502,015)</u>	<u>1,490,318</u>	<u>156,595</u>
CHANGE IN NET ASSETS	25,536	(1,425,048)	502,015	(897,497)	(10,521)
NET ASSETS, BEGINNING OF YEAR	<u>16,900</u>	<u>1,796,667</u>	<u>1,395,039</u>	<u>3,208,606</u>	<u>3,219,127</u>
NET ASSETS, END 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>

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

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2007)

	PROGRAM	DONATION OF CONSERVATION EASEMENT	TRANSFER OF LAND AND IMPROVEMENTS	MANAGEMENT	FUND RAISING	2008 TOTAL	2007 TOTAL
EXPENSES							
Transfer of Land and Land Improvements							
Restricted under Conservation							
Easement Granted	\$ -	-	513,430	-	-	513,430	\$ 144,979
Auditing Fees	3,430	-	-	-	-	3,430	3,250
Consulting Services	30,590	-	-	-	-	30,590	38,630
Contract Fees for Employees	59,569	-	-	7,900	4,533	72,002	63,643
Donation of conservation easement	-	1,333,000	-	-	-	1,333,000	-
Groundwater monitoring	14,140	-	-	-	-	14,140	-
Insurance	3,424	-	-	-	-	3,424	3,435
Land and Trail Maintenance	3,078	-	-	-	-	3,078	14,038
Legal	6,752	-	-	-	-	6,752	11,289
Miscellaneous	3,652	-	-	-	-	3,652	5,378
Printing	1,827	-	-	-	-	1,827	1,551
Rent	4,904	-	-	-	-	4,904	5,140
Supplies	2,104	-	-	-	-	2,104	2,023
	\$ 133,470	\$ 1,333,000	513,430	7,900	4,533	1,992,333	\$ 293,356

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, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (897,497)	\$ (10,521)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Increase in Accounts Receivable	(51,683)	-
Decrease in Accounts Payable	(9,492)	(421)
Depreciation	11,415	8,218
Value of donated land received	(17,500)	-
Value of donated conservation easements	1,333,000	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>368,243</u>	<u>(2,724)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Land	(97,144)	(17,073)
Purchase of Land Improvements	(292,677)	(127,906)
NET CASH USED IN INVESTING ACTIVITIES	<u>(389,821)</u>	<u>(144,979)</u>
NET DECREASE IN CASH	(21,578)	(147,703)
CASH, BEGINNING OF YEAR	<u>90,985</u>	<u>238,688</u>
CASH, END OF YEAR	<u>\$ 69,407</u>	<u>\$ 90,985</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, 2007

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2007 TOTAL</u>
ASSETS				
Cash	\$ 16,314	74,671	-	\$ 90,985
Land	9,000	1,733,000	1,177,457	2,919,457
Land Improvements, net	-	-	217,582	217,582
TOTAL ASSETS	<u>25,314</u>	<u>1,807,671</u>	<u>1,395,039</u>	<u>3,228,024</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable	8,414	11,004	-	19,418
TOTAL LIABILITIES	<u>8,414</u>	<u>11,004</u>	<u>-</u>	<u>19,418</u>
NET ASSETS				
Unrestricted	16,900	-	-	16,900
Temporarily Restricted	-	1,796,667	-	1,796,667
Permanently Restricted	-	-	1,395,039	1,395,039
TOTAL NET ASSETS	<u>16,900</u>	<u>1,796,667</u>	<u>1,395,039</u>	<u>3,208,606</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 25,314</u>	<u>1,807,671</u>	<u>1,395,039</u>	<u>\$ 3,228,024</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, 2007

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>2007 TOTAL</u>
PUBLIC SUPPORT AND REVENUE				
Public Support				
Grants	\$ -	136,569	-	\$ 136,569
Donations	1,975	568	-	2,543
Net Assets Released from Restrictions	243,421	(243,421)	-	-
TOTAL PUBLIC SUPPORT	<u>245,396</u>	<u>(106,284)</u>	<u>-</u>	<u>139,112</u>
Revenue				
Interest income	6,962	-	-	6,962
TOTAL REVENUE	<u>6,962</u>	<u>-</u>	<u>-</u>	<u>6,962</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>252,358</u>	<u>(106,284)</u>	<u>-</u>	<u>146,074</u>
EXPENSES				
Program	134,862	-	-	134,862
Transfer of Land and Land Improvements Under Conservation Easements to Permanently Restricted	144,979	-	(144,979)	-
Depreciation	-	-	8,218	8,218
Management	5,067	-	-	5,067
Fund Raising	8,448	-	-	8,448
TOTAL PUBLIC SUPPORT	<u>293,356</u>	<u>-</u>	<u>(136,761)</u>	<u>156,595</u>
CHANGE IN NET ASSETS	(40,998)	(106,284)	136,761	(10,521)
NET ASSETS, BEGINNING OF YEAR	<u>57,898</u>	<u>1,902,951</u>	<u>1,258,278</u>	<u>3,219,127</u>
NET ASSETS, END OF YEAR	<u>\$ 16,900</u>	<u>1,796,667</u>	<u>1,395,039</u>	<u>\$ 3,208,606</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, 2007

EXPENSES	TRANSFER OF				2007 TOTAL
	PROGRAM	LAND AND IMPROVEMENTS	MANAGEMENT	FUND RAISING	
Transfer of Land and Land Improvements Restricted under Conservation Easement Granted	\$ -	144,979	-	-	\$ 144,979
Auditing Fees	3,250	-	-	-	3,250
Consultants	38,630	-	-	-	38,630
Contract Fees for Employees	50,128	-	5,067	8,448	63,643
Insurance	3,435	-	-	-	3,435
Land and Trail Maintenance	14,038	-	-	-	14,038
Legal	11,289	-	-	-	11,289
Miscellaneous	5,378	-	-	-	5,378
Printing	1,551	-	-	-	1,551
Rent	5,140	-	-	-	5,140
Supplies	2,023	-	-	-	2,023
	<u>\$ 134,862</u>	<u>144,979</u>	<u>5,067</u>	<u>8,448</u>	<u>\$ 293,356</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, 2008 AND 2007

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 Lake Conestee. 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. One additional staff member has been 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 will pay 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 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.

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.

CONESTEE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

CONESTEE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 2 – LAND

Land is comprised of the following as of December 31, 2008 and 2007:

Description	Acres	2008	2007
Unrestricted			
River lots	1	\$ 7,000	\$ 7,000
Conestee village lots (3 in 2008, 2 in 2007)	1	3,214	2,000
Temporarily Restricted			
Forrester property		-	1,733,000
Permanently Restricted			
Lake Conestee*	150	200,000	200,000
Henderson Farm*	112	957,384	957,384
Forrester property*	41	400,000	-
Reedy River wetland parcel*	81	95,930	-
Raines and Metro Sewer parcels	2	32,073	17,073
River lot*	1	3,000	3,000
Conestee village lots (4 in 2008)	1	2,500	-
Total	390	\$ 1,701,101	\$ 2,919,457

* This land is under conservation easements.

See Note 8 for donation of a conservation easement for the Forrester Property and the Reedy River parcel and reclassification of the Forrester Property as Permanently Restricted.

All parcels are located in Greenville County, South Carolina.

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 an observation deck, helical piers and boardwalks that were completed during 2006 and a paved trail and other minor improvements completed during 2007. Depreciation of improvements is provided on a straight line method over an estimated useful life of 20 years.

Land improvements are comprised of the following at December 31, 2008 and 2007:

Description	2008	2007
Boardwalks and decks	\$ 100,404	\$ 100,404
Paved trail	127,906	127,906
Total land improvements	228,310	228,310
Less depreciation	(22,143)	(10,728)
Total land improvements, net	\$ 206,167	\$ 217,582

CONESTEE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 4 – CONSTRUCTION IN PROGRESS

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 have been placed into service. Accordingly, the costs are shown as Construction in Progress in the Statement of Financial Position.

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, 2008 and 2007, respectively.

NOTE 6 – LINE OF CREDIT

The Foundation has a \$100,000 unsecured line of credit with interest at prime. No balance is outstanding as of December 31, 2008 and no balances were drawn during the year.

NOTE 7 – TEMPORARILY RESTRICTED FUNDS

Temporarily restricted grants received in 2008 and 2007 are comprised of the following:

	<u>2008</u>	<u>2007</u>
Greenville County Hospitality Tax - Capital Improvement	\$ 332,742	\$ -
SC Conservation Bank grant	95,930	-
Saluda Reedy Watershed Consortium dam study	24,000	-
Grant to build paved trail, renovate house and other park needs	-	93,116
Grant for signage	-	6,000
Grant to build pedestrian bridge	-	29,453
Grant to conduct cleanup of LCNP	-	8,000
Total	<u>\$ 452,672</u>	<u>\$ 136,569</u>

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, 2008, construction was underway on the Phase II paved trail and boardwalk, design work on a 216 foot pedestrian bridge and finishing the renovations of an existing house that will be used as the LCNP office beginning in February 2009.

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.

CONESTEE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 7 – TEMPORARILY RESTRICTED FUNDS (CONTINUED)

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 paved trail, renovate house and other park needs

In 2006, the Foundation was awarded a grant of \$105,000 to provide funds for the matching funds required for the construction of approximately one half mile of paved trail, begin refurbishing an existing house on the Henderson Farm and other park needs. In 2007, the paved trail was completed with a grant from Greenville County of \$93,116.

Grants for signage

In 2007, the Foundation received a grant of \$6,000 for signage on the observation deck and park entrances.

Grants to build pedestrian bridge

The foundation was successful in obtaining a \$100,000 SCPRT grant to construct a pedestrian bridge over the Reedy River connecting the Forrester property to the Henderson Farm property. 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. Construction is expected to be complete in 2009 and receipt of the SCPRT grant will occur as the construction progresses. Design work and any costs above these two grants will be funded by the Greenville County Hospitality Tax funds.

Grants to conduct cleanup of LCNP

The Foundation received a grant of \$8,000 to organize a major cleanup of the LCNP. This was completed in the winter of 2007.

Grants for Master Planning

The Foundation received in 2005 two grants totaling \$75,000 for use in preparing a Master Plan for the LCNP. The Master Plan was completed in 2008 and is available on the LCNP website.

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 continues to significantly restrict the use of the LCNP property of approximately 387 acres and provides for public access to LCNP.

The estimated value of the donated conservation easement of \$1,333,000 was recorded as an expense 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.

CONESTEE FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

NOTE 11 – SUBSEQUENT EVENTS

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 will use the 15 acres for natural trails and to connect the east and west sides of LCNP along the Reedy River with a 216 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.

In February 2009 the Foundation awarded a contract to a local construction company to build the pedestrian bridge over the Reedy River. The contract was for approximately \$693,000.