THE TENNESSEE RIVER GORGE TRUST, INC.

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2013

JOHNSON, MURPHEY & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA, TENNESSEE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tennessee River Gorge Trust, Inc.

We have audited the accompanying financial statements of Tennessee River Gorge Trust, Inc., which comprise the Statement of Financial Position as of December 31, 2013, and the related Statements of Activities, Cash Flows, and Functional Expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tennessee River Gorge Trust, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Johnson, Murphey & Wright, P.C.

Chattanooga, Tennessee
March 10, 2014

THE TENNESSEE RIVER GORGE TRUST, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted (Hampton Endowment)	Total
ASSETS				
Cash	$ 152,558	$ -	$ 11,567	$ 164.125
Investments	2,213,142	134,209	858,208	3,205,559
Accounts receivable	50,028	-	-	50,028
Pledges receivable - net	166	-	-	166
Fixed assets - net	7,989,801	-	-	7,989,801
TOTAL ASSETS	$ 10,405,695	$ 134,209	$ 869,775	$ 11,409,679
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	$ 11,154	$ -	$ -	$ 11,154
Property taxes payable	57,200	-	-	57,200
Accrued payroll liabilities	4,029	-	-	4,029
Total liabilities	72,383	-	-	72,383
Net Assets				
Unrestricted:				
Undesignated	10,333,312	-	-	10,333,312
Temporarily restricted - land acquisition	-	134,209	-	134,209
Permanently restricted	-	-	869,775	869,775
Total net assets	10,333,312	134,209	869,775	11,337,296
TOTAL LIABILITIES AND NET ASSETS	$ 10,405,695	$ 134,209	$ 869,775	$ 11,409,679

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

THE TENNESSEE RIVER GORGE TRUST, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted (Hampton Endowment)	Total
PUBLIC SUPPORT AND REVENUE				
Contributions	$ 194,614	$ -	$ 32,339	$ 226,953
Rent and royalties	127,326	-	-	127,326
Net gain (loss) on investments	335,349	28,360	125,926	489,635
Special events	79,249	-	-	79,249
In-kind revenue	20,316	-	-	20,316
Other revenue	53,049	-	-	53,049
Net assets released from restrictions	486,827	(360,901)	(125,926)	-
Total public support and revenue	1,296,730	(332,541)	32,339	996,528
EXPENSES				
Program services				
Land preservation	500,491	-	-	500,491
Land stewardship	249,455	-	-	249,455
Outreach and education	94,132	-	-	94,132
Total program services	844,078	-	-	844,078
Supporting services				
Administrative	67,896	-	-	67,896
Fund-raising	8,254	-	-	8,254
Total supporting services	76,150	-	-	76,150
Total expenses	920,228	-	-	920,228
Change in net assets	376,502	(332,541)	32,339	76,300
NET ASSETS - beginning	9,956,810	466,750	837,436	11,260,996
NET ASSETS - end	$ 10,333,312	$ 134,209	$ 869,775	$ 11,337,296

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

THE TENNESSEE RIVER GORGE TRUST, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	$ 76,300
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	25,348
Transfer of land	333,900
(Increase) decrease in accounts receivable	(50,028)
(Increase) decrease in pledges receivable	15,501
Increase (decrease) in accounts payable	(39,696)
Increase (decrease) in property taxes payable	57,200
Increase (decrease) in accrued payroll liabilities	1,046
Net cash provided (used) in operating activities	343,271
Net cash provided (used) by operating activities	419,571
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments related to the acquisition of fixed assets	(10,032)
Payments on line-of-credit	(230,000)
Net cash provided (used) by capital and related financing activities	(240,032)
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments related to the purchase of investments	(110,311)
Net cash provided (used) by investing activities	(110,311)
Net increase (decrease) in cash	69,228
Cash - beginning	94,897
Cash - end	$ 164,125
Supplemental Disclosure	
Interest paid	$ 6,553

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

THE TENNESSEE RIVER GORGE TRUST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2013

	Program Services				Supporting Services		
	Land Preservation	Land Stewardship	Outreach and Education	Total Program Services	Administrative	Fund-Raising	Total
Salaries	$ 6,860	$ 112,851	$ 36,615	$ 156,326	$ 55,086	$ 980	$ 212,392
Employee benefits	1,074	17,665	5,731	24,470	8,623	153	33,246
Payroll taxes	521	8,578	2,783	11,882	4,187	74	16,143
Total salaries and related expenses	8,455	139,094	45,129	192,678	67,896	1,207	261,781
Travel	11,805	3,483	-	15,288	-	-	15,288
Supplies and equipment	32,728	644	-	33,372	-	-	33,372
Rent	19,753	-	-	19,753	-	-	19,753
Postage	2,496	-	-	2,496	-	-	2,496
Marketing	-	-	-	-	-	6,291	6,291
Special events	-	-	-	-	-	756	756
Land acquisition and easements	-	8,863	-	8,863	-	-	8,863
Land donation	333,900	-	-	333,900	-	-	333,900
Community outreach	-	-	43,169	43,169	-	-	43,169
Education	-	-	5,834	5,834	-	-	5,834
Repairs and maintenance	-	757	-	757	-	-	757
Training	3,303	-	-	3,303	-	-	3,303
Dues	2,983	-	-	2,983	-	-	2,983
Land management and taxes	-	82,452	-	82,452	-	-	82,452
Professional fees	20,185	7,609	-	27,794	-	-	27,794
In-kind expenses	20,316	-	-	20,316	-	-	20,316
Interest	-	6,553	-	6,553	-	-	6,553
Insurance	19,219	-	-	19,219	-	-	19,219
Total expenses before depreciation	475,143	249,455	94,132	818,730	67,896	8,254	894,880
Depreciation	25,348	-	-	25,348	-	-	25,348
Total expenses	$ 500,491	$ 249,455	$ 94,132	$ 844,078	$ 67,896	$ 8,254	$ 920,228

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

The Tennessee River Gorge Trust, Inc. operates as a non-profit entity located in the greater Chattanooga, Tennessee area in order to enrich the community by conservation of Tennessee's Grand Canyon through land protection, education and the promotion of good land stewardship. The Entity's primary revenue sources are contributions and investment income.

B. Basis of Presentation - Net Asset Accounting

The Tennessee River Gorge Trust, Inc. follows the recommendations of the Financial Accounting Standards Board (FASB) ASC 958-205-05-6. Under FASB ASC 958-205-05-06, The Tennessee River Gorge Trust, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, The Tennessee River Gorge Trust, Inc. is required to present a Statement of Cash Flows.

C. Basis of Accounting

The financial statements are prepared on the accrual basis of accounting and in conformity with the AICPA Audit and Accounting Guide, *Not-for-Profit Organizations*, and Financial Accounting Standards Board (FASB) ASC 958-205-05-6. Under the accrual basis, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. The financial statements reflect all significant receivables, payables and other liabilities.

D. Restricted and Unrestricted Support and Revenue

The Entity follows the recommendations of the Financial Accounting Standards Board (FASB) ASC 958-605-25. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Revenue is considered to be available for unrestricted use unless specifically restricted by the donor or grantor.

The Entity reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions

E. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Entity considers all unrestricted highly liquid investments purchased with a maturity date of three months or less to be cash equivalents.

F. Investments

Investments are stated at fair value, determined based on quoted market prices or estimated values provided by external investment managers or other sources. Any gains or losses, realized or unrealized, are included in the change of net assets in the Statement of Activities. Donated investments are reflected as contributions at their market value at date of receipt.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fair Value Measurement

The Entity adopted the provisions of ASC 820-10-50 applicable to financial assets and liabilities, as well as for other non-financial assets and liabilities that are carried at fair value on a recurring basis. Adoption of the provisions of ASC 820-10-50 did not have an impact on the measurement of the Entity's financial assets and liabilities but did result in additional disclosures contained in the footnotes herein.

H. Pledges Receivable

Donors' promises to give are evaluated on the basis of criteria in FASB ASC 958-310-25. Those that meet the criteria are recorded as pledges receivable at the time the promises are received. They remain pledges receivable until collected or determined to be uncollectible.

I. Fixed Assets

All fixed assets are valued at cost, if purchased or fair value if contributed. All expenditures for land, buildings, and equipment in excess of $1,000 are capitalized. Minor repairs and maintenance are expensed as incurred and additions and improvements that significantly extend the life of the assets are depreciated over the remaining useful lives of the related fixed asset. At the time that assets are retired or disposed of, costs and accumulated depreciation are eliminated from the related accounts and gain or loss, if any, is credited or charged to income. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets as follows:

Equipment	3-7 years
Building	5-25 years
Vehicles	5 years

J. Income Tax Status

The Entity is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes on related income pursuant to Section 501 of the Code. The Entity accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefits are estimated based on the cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Entity include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, the Entity has determined that such tax positions do not result in an uncertainty requiring recognition.

K. Donated Property and Equipment

The Entity reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Entity reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Functional Expense

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

N. Donated Services

Donated services are recognized as contributions in accordance with FASB ASC 958-605-25-16, if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased.

The Entity depends upon services donated by its supporters and by skilled and unskilled volunteers to carry out many of its operations and activities. A substantial number of volunteers have donated significant amounts of their time to the Entity. Most of these services are not required to be recognized in the financial statements. In the current year, $20,316 are required to be recognized as advertising and fundraising donations.

O. Compensated Absences

Policies regarding employee vacation and sick leave benefits do not meet the criteria which would require accrual of a liability for future benefits.

P. Prepayment of Expenses

Expenses for insurance and maintenance extending over more than one accounting period are not allocated between accounting periods but accounted for as expenses in the period paid.

Q. Revenue Recognition

Revenue is considered to be available for unrestricted use unless its use is temporarily or permanently restricted by the donor or grantor in accordance with FASB ASC 958-605-25.

R. Events Occurring after Reporting Date

The Entity has evaluated events and transactions that occurred between December 31, 2013, and March 10, 2014 which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - CASH

The Tennessee River Gorge Trust, Inc. has a cash carrying amount of $164,125 and a bank balance of $135,014 as of December 31, 2013. The entire bank balance is covered by FDIC insurance.

NOTE 3 - INVESTMENTS

Investments at December 31, 2013, are subject to market risks and are stated as follows:

	Cost	Fair Value	Net Unrealized Appreciation (Loss)
Large growth	*	$ 1,502,138	$ -
Fixed income	*	501,136	$ -
Intermediate-term bond	*	354,340	$ -
Large value	*	217,001	$ -
Cash and cash equivalents	*	137,555	$ -
Foreign large growth	*	94,143	$ -
Mid-cap value	*	73,695	$ -
Foreign large value	*	72,250	$ -
Real estate	*	55,173	$ -
Mid-cap growth	*	48,636	$ -
Small growth	*	37,052	$ -
Small blend	*	36,716	$ -
Multialternative	*	32,906	$ -
Conservative allocation	*	26,549	$ -
Convertibles	*	15,269	$ -
Money market	*	1,000	$ -
Total investments		$ 3,205,559	

* Cost information not available

The following schedule summarizes the investment return and its classification in the Statement of Activities:

Interest and dividends	$ 5
Realized gain (loss), net	64,415
Unrealized gain (loss), net	435,853
Investment fees	(10,638)
Net gain (loss) on investments	$ 489,635

NOTE 4 - FAIR VALUE MEASUREMENT

ASC 820-10-50 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the assets or liability or, in the absence of a principal market the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Fund has the ability to access.
2) Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
3) Level 3 are unobservable inputs for the assets or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the assets or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Entity's own data.)

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2013.

Assets	Level 1	Level 2	Level 3	Total
Investments	$ -	$ 3,205,559	$ -	$ 3,205,559

NOTE 5 - PLEDGES RECEIVABLE - NET

Pledges receivable as of December 31, 2013, consist of the following:

	Total
Pledges receivable due within one year	$ 1,296
Less: allowance for uncollectible pledges	(1,130)
Pledges receivable - net	$ 166

Bad debt expense for December 31, 2013, was $0.

NOTE 6 - FIXED ASSETS - NET

Activity for the year ended December 31, 2013, was as follows:

	Balance 12-31-12	Additions	Deletions	Balance 12-31-13
Land	$ 8,176,569	$ 3,551	$(333.900)	$ 7.846,220
Buildings	583,693	2,650	(5,056)	581,287
Equipment	42,118	3,831	(7,074)	38.875
Vehicles	16,600	-	-	16,600
Total	8,818.980	$ 10,032	$(346,030)	8,482,982
Accumulated depreciation	(479,963)	$(25,348)	$ 12,130	(493,181)
Fixed assets - net	$ 8,339,017			$ 7,989,801

Depreciation expense amounted to $25,348 for the year ended December 31, 2013.

NOTE 7 - NET ASSETS

Temporary restricted net assets of $134,209 consist of $89,050 that are required by donor stipulations to be used for land acquisition and $45,159 that were reclassified from permanently restricted endowment earnings to temporarily restricted net assets.

Permanently restricted net assets (Hampton Endowment) of $869,775 consist of the investments purchased with contributions with donor stipulations that they be invested to provide a permanent source of income.

NOTE 8 - LEASE COMMITMENTS

The Tennessee River Gorge Trust, Inc. occupies office space under a year-to-year operating lease. Expense for rental of office space for the year ended December 31, 2013, was $19,753.

NOTE 9 - RETIREMENT PLAN

The Entity provides retirement annuity contracts under Section 403(b) of the Internal Revenue Code. The Tax Sheltered Retirement Annuity Plan covers substantially all employees who have completed one year of service of at least 1,000 hours per year and has attained the age of 21. The Entity matches employee contribution up to 10% and the employee may contribute up to 12% under a salary reduction agreement. The retirement plan expense was $5,729 for the year ended December 31, 2013. During 2013, the Entity will match employee contributions up to $3,500 on a dollar to dollar basis.

NOTE 10 - COMMERCIAL INSURANCE

It is the policy of the Entity to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, and employee health and accident. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 11 - EASEMENTS

The Tennessee River Gorge Trust, Inc. has acquired easements on 1042 acres since its inception at a cost of $1,210,403. Some easements have been donated.

NOTE 12 - ENDOWMENT

The Entity's endowment consists of funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Entity's disclosure of its interpretation of the law or laws that underlie the Entity's net asset classification of donor-restricted endowment funds follows.

Interpretation of Relevant Law

The Board of Directors of the Entity has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the original gift amount of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Entity classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Entity considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) the duration and preservation of the fund,
(2) the purposes of the organization and the donor-restricted endowment fund,
(3) general economic conditions,
(4) the possible effect of inflation and deflation,
(5) the expected total return from income and the appreciation of investments,
(6) other resources of the organization and
(7) the investment policies of the Entity.

Return Objectives and Risk Parameters

The Entity has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

The Board of Directors establishes all policies for the Entity's permanently restricted Hampton Endowment Fund (HEF). The HEF should be managed with a long-term investment horizon for growth and capital appreciation. The fund has a long-term targeted rate of inflation (measured by CPI) CPI +6%.

NOTE 12 - ENDOWMENT (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The HEF can have up to 5% annual cash distribution for general operating purchases.

The Entity's disclosure of its endowment net asset composition by type of fund as of December 31, 2013, follows:

2013
Endowment Net Asset Composition by Type of Fund
as of December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 869,775	$ 869,775
Board-designated endowment funds	-	45,159	-	45,159
Total funds	$ -	$ 45,159	$ 869,775	$ 914,934

The Entity's disclosure of changes in endowment net assets for the year ended December 31, 2013, follows:

Changes in Endowment Net Assets
for the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ -	$ 837,436	$ 837,436
Investment return:				
Investment income	-	-	35,234	35,234
Net appreciation of investments	-	-	90,692	90,692
Total investment return	-	-	125,926	125,926
Contributions	-	-	32,339	32,339
Appropriated for expenditure	-	-	(80,767)	(80,767)
Reclassifications	-	45,159	(45,159)	-
Other changes	-	-	-	-
Endowment net assets, end of year	$ -	$ 45,159	$ 869,775	$ 914,934