

**Tennessee Environmental Council, Inc.
(A NONPROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Tennessee Environmental Council, Inc.

Opinion

We have audited the accompanying financial statements of Tennessee Environmental Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tennessee Environmental Council, Inc. as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tennessee Environmental Council, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tennessee Environmental Council, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Tennessee Environmental Council, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tennessee Environmental Council, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Dempsey Vanthorne + Tollin PLLC

Murfreesboro, Tennessee
November 9, 2022

TENNESSEE ENVIRONMENTAL COUNCIL
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

Assets:	
Cash	\$ 193,443
Accounts receivable	35,477
Property and equipment, less accumulated depreciation of \$27,135	<u>2,892</u>
TOTAL ASSETS	<u><u>\$ 231,812</u></u>
Liabilities:	
Accounts payable	\$ 20,904
Accrued expenses	10,266
Unearned contract service revenue	25,000
Line of credit	<u>5,012</u>
TOTAL LIABILITIES	<u>61,182</u>
Net assets:	
Without donor restrictions	162,430
With donor restrictions	<u>8,200</u>
TOTAL NET ASSETS	<u>170,630</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 231,812</u></u>

See accompanying notes to the financial statements.

TENNESSEE ENVIRONMENTAL COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Program support and revenues:			
Contributions	\$ 363,323	\$ -	\$ 363,323
Contributions - gifts in kind	2,918		2,918
Grants	6,247	143,487	149,734
Contract services	46,369	-	46,369
Interest income	23	-	23
Net assets released from donor restrictions	135,287	(135,287)	-
Total program support and revenues	554,167	8,200	562,367
Non-operating support:			
Paycheck Protection Program loan forgiven	53,198	-	53,198
TOTAL SUPPORT AND REVENUES	607,365	8,200	615,565
Expenses:			
Program services	493,015	-	493,015
Management and general	20,969	-	20,969
TOTAL EXPENSES	513,984	-	513,984
Change in Net Assets	93,381	8,200	101,581
NET ASSETS BEGINNING OF YEAR	69,048	-	69,048
NET ASSETS END OF YEAR	\$ 162,429	\$ 8,200	\$ 170,629

See accompanying notes to the financial statements.

TENNESSEE ENVIRONMENTAL COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services					Management and General	Total
	Tree Day Program	Pollinator Program	Sustainable Tennessee Program	Watershed Program	Total Program Services		
Advertising	\$ 29,960	\$ -	\$ -	\$ -	\$ 29,960	\$ -	\$ 29,960
Contract labor	-	2,045	1,614	250	3,909	-	3,909
Communications	6,036	12,078	25	-	18,139	-	18,139
Depreciation	-	-	-	-	-	976	976
Meals	-	1,419	-	-	1,419	-	1,419
Insurance	-	4,489	-	-	4,489	-	4,489
Interest	-	-	-	-	-	274	274
Miscellaneous	-	914	-	29	943	712	1,655
Professional development	-	420	-	-	420	-	420
Payroll taxes	6,032	3,447	4,524	6,678	20,681	862	21,543
Professional	3,108	7,430	5,461	11,913	27,912	533	28,445
Rent	3,585	1,335	3,149	4,181	12,250	405	12,655
Repairs and maintenance	-	814	-	-	814	-	814
Salaries and benefits	77,652	50,918	58,509	86,195	273,274	10,972	284,246
Service fees	-	-	-	-	-	6,160	6,160
Sponsorships	13,410	396	-	-	13,806	-	13,806
Supplies	43,188	17,392	2,037	13,188	75,805	48	75,853
Travel	1,658	1,665	218	5,653	9,194	27	9,221
TOTAL EXPENSES	\$ 184,629	\$ 104,762	\$ 75,537	\$ 128,087	\$ 493,015	\$ 20,969	\$ 513,984

See accompanying notes to the financial statements.

TENNESSEE ENVIRONMENTAL COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 101,581
Reconciliation of the change in net assets to net cash provided by operating activities:	
Depreciation	976
Changes in assets and liabilities:	
Increase in contributions receivable	(6,572)
Increase in accounts payable	19,250
Increase in accrued expenses	1,031
Increase in unearned revenue	<u>25,000</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>141,266</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	<u>(1,951)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES:

Decrease in note payable	<u>(3,908)</u>
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NET INCREASE IN CASH	135,407
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CASH, BEGINNING OF YEAR	58,036
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CASH, END OF YEAR	<u><u>\$ 193,443</u></u>
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See accompanying notes to the financial statements.

TENNESSEE ENVIRONMENTAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Tennessee Environmental Council (“the Organization”) is a nonprofit corporation located in Nashville, Tennessee. The Organization was founded in 1970 and is a conservation organization incorporated to help people and communities improve our environment.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net Assets

Financial statement presentation follows the recommendations of generally accepted accounting principles. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions that can be filled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.

Accounts Receivable

Accounts receivable are stated at the amount that management expects to collect on outstanding balances. The carrying amount of accounts receivable is reduced by a valuation allowance, if necessary, which reflects the Organization’s best estimate of the amounts that will not be collected. The allowance is estimated based on the Organization’s historical loss experience, and existing economic conditions. Once management determines a balance cannot be collected, it is written off through a charge to the allowance for doubtful accounts. As of December 31, 2021, management did not believe an allowance was necessary.

Property and Equipment

Property and equipment are stated at cost at the date of purchase. The Organization’s policy is to capitalize purchases with a cost of \$1,000 or more. Betterments which materially add to the value of the related assets and materially extend the useful life of the assets are capitalized. Normal replacements and minor equipment purchases are included as expenses of the operating unrestricted net assets. When property and equipment is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in unrestricted net assets. Depreciation is computed using the straight-line method over the estimated useful life of the asset, generally five years.

**TENNESSEE ENVIRONMENTAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions received are recorded as net assets with or without donor restrictions, and are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as increases in net assets with donor restrictions. When a restriction is fulfilled (that is, when a stipulated time restriction ends or the purpose of restriction is accomplished), net assets with donor restrictions are reclassified and reported in the statements of activities as net assets without donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as net assets without donor restrictions.

The Organization receives grants from private and governmental agencies. Typically, these are cost reimbursement grants for a particular project and are accounted for as conditional contributions. The Organization recognizes revenues on these grants as the funds are spent. Any unused funds are forfeited and if any expenditures are disallowed, the Organization would be required to refund amounts received.

The Organization receives revenue from contracts with customers for various environmental projects. The Organization provides labor and supplies to complete the contracted project. Revenue from contracted services is recognized when the projects are completed.

Contributed Services

Individuals and Board of Director members may volunteer their time and perform a variety of tasks that assist the Organization. The value of these contributions is not reflected in the financial statements since the volunteers' time does not meet the criteria for recognition.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. In general, most expenses can easily be identified and charged to a specific program.

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and classification by the Internal Revenue Service as an other than private foundation. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2021, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

**TENNESSEE ENVIRONMENTAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

As of December 31, 2021, the Organization has accrued no interest and no penalties related to uncertain tax positions. It is the Organization's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

The Organization files a U.S. Federal information tax return. The Organization is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ended December 31, 2021, 2020, and 2019.

Advertising

The costs of advertising are expensed as incurred.

Use of 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.

Paycheck Protection Program

During 2021, the Organization received \$53,198 from the Small Business Administration ("SBA") for the Paycheck Protection Program ("PPP"). The Organization obtained forgiveness on repayment of the PPP funds from the SBA. The Organization has accounted for the funds as other income.

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2021:

Furniture and equipment	\$ 30,027
Accumulated depreciation	<u>(27,135)</u>
Property and equipment, net	<u><u>\$ 2,892</u></u>

During the year ending December 2021, depreciation totaled \$976.

TENNESSEE ENVIRONMENTAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE C – ACCRUED EXPENSES

Accrued expenses consist of the following as of December 31, 2021:

Accrued payroll	\$ 4,728
Accrued payroll taxes	<u>5,538</u>
Accrued expenses	<u>\$ 10,266</u>

NOTE D – LINE OF CREDIT

The Organization has a line of credit with a financial institution in the amount of \$15,000 dated August 4, 2021. The note matures on July 25, 2022. Interest payments are due monthly at 4.5% interest with the principal due at maturity. The note is secured by all accounts owned by the Organization. The amount due on the line of credit is \$5,012 as of December 31, 2021.

NOTE E – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions contain donor-imposed restrictions that direct the use of the donation as specified and are satisfied either by the passage of time (time restrictions) or by fulfilling the donor-imposed purpose (purpose restriction). Net assets with donor restrictions that exist at December 31, 2021 are for the following projects and programs:

Subject to Purpose Restrictions

Grant	Purpose	
Community Foundation of Middle Tennessee	2022 Tree Day	\$ 5,700
Frist Foundation	Technology Assessment	<u>2,500</u>
		<u>\$ 8,200</u>

Net assets released from restrictions amounted to \$135,287 for the year ended December 31, 2021.

NOTE F– UNEARNED REVENUE

On August 20, 2020, the Organization made an agreement with Tennessee Valley Authority (“TVA”) to provide services to build pollinator habitats at three select locations. The funds from TVA in the amount of \$25,000 for the habitat project at Middle Tennessee Electric Membership Corporation are deferred until 2022 when it will be completed by the Organization.

NOTE G – LEASES

The Organization entered into an operating lease for office space in 2009. The original lease has been extended multiple times and will expire February 28, 2025 with an option to renew. Monthly rent will increase to \$1,113 beginning March 2022. The Lessor can terminate the lease with a 12-month written notice to the Organization. For the year ended December 31, 2021, total rent expense was \$12,655 and was included in management and general and program expenses in the accompanying financial statements.

TENNESSEE ENVIRONMENTAL COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE G – LEASES (CONTINUED)

The future minimum lease payments due are as follows:

2022	\$	13,252
2023		13,357
2024		13,357
2025		13,357
		<hr/>
	\$	53,323
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NOTE H – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$205,708 in financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$160,243, contributions receivable of \$35,477, and unused line of credit of \$9,988. \$8,200 of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as general expenditures and related liabilities become due.

NOTE I – SUBSEQUENT EVENTS

As of December 31, 2021, the Organization had pending litigation against the Tennessee Department of Environment and Conservation appealing an environmental permit addressing stormwater. The Organization voluntarily dismissed the lawsuit, and the case was formally closed on August 7, 2022.

As of November 9, 2022, no other events or transactions have transpired that would have a material effect on the balances reported herein as of December 31, 2021 or that would significantly impact the Organization's ongoing operations.