

CUMBERLAND RIVER COMPACT, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

MARCH 31, 2008

CUMBERLAND RIVER COMPACT, INC.
Financial Statements
MARCH 31, 2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Cumberland River Compact, Inc.

We have audited the accompanying statement of financial position of Cumberland River Compact, Inc. as of March 31, 2008, and the related statement of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 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 Cumberland River Compact, Inc. as of March 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Thomason Financial Resources

August 8, 2008

CUMBERLAND RIVER COMPACT, INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2008

ASSETS

Current Assets

Cash	\$ 230,272
Grants receivable	123,438
Other receivables	9,000
Prepaid expenses	4,934
Total current assets	<u>\$ 367,644</u>

Property and Equipment

Office furniture	10,000
Computers and equipment	31,847
	<u>41,847</u>
Less: accumulated depreciation	<u>(19,682)</u>
Total property and equipment	<u>22,165</u>
 Total assets	 <u><u>\$ 389,809</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 9,289
Accrued wages and payroll taxes	16,164
Other accruals	7,000
Total current liabilities	<u>32,453</u>

Net Assets

Unrestricted	351,904
Temporarily restricted	5,452
Total net assets	<u>357,356</u>
Total liabilities and net assets	<u><u>\$ 389,809</u></u>

The accompanying notes are an integral part of these financial statements

CUMBERLAND RIVER COMPACT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Public support:			
Government grant income	\$ -	\$ 451,672	\$ 451,672
Other grant income	6,000	5,104	11,104
Contributions	48,621	-	48,621
In-kind contributions	4,668	-	4,668
Special event revenue:			
Revenue	105,857	-	105,857
Less direct costs	(44,881)	-	(44,881)
Net revenue from special events	60,976	-	60,976
Total public support	120,265	456,776	577,041
Other revenue:			
Program service fees	25,197	-	25,197
Membership dues	29,351	-	29,351
Interest income	7,049	-	7,049
Total other revenue	61,597	-	61,597
Net assets released from restrictions	457,710	(457,710)	-
Total public support and other revenue	639,572	(934)	638,638
Expenses			
Program services:			
Building outside the box	259,559	-	259,559
Watershed	85,923	-	85,923
Local officials	28,344	-	28,344
Senior fellow	51,620	-	51,620
Project blue streams	29,946	-	29,946
Total program services	455,392	-	455,392
Fundraising:			
Contract Labor	12,400	-	12,400
Payroll	4,605	-	4,605
Printing and publications	8,996	-	8,996
Postage	2,152	-	2,152
Total fundraising expenses	28,153	-	28,153
Management and general:			
Accounting	7,696	-	7,696
Marketing	11,739	-	11,739
Contract Labor	39,844	-	39,844
Payroll	19,094	-	19,094
Depreciation	4,888	-	4,888
Insurance	7,589	-	7,589
Meetings	3,001	-	3,001
Travel	8,572	-	8,572
Supplies	22,137	-	22,137
Other	4,114	-	4,114
Total management and general	128,674	-	128,674
Total expenses	612,219	-	612,219
Change in net assets	27,353	(934)	26,419
Net assets at beginning of year	324,551	6,386	330,937
Net assets at end of year	\$ 351,904	\$ 5,452	\$ 357,356

The accompanying notes are an integral part of these financial statements

**CUMBERLAND RIVER COMPACT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2008**

Cash Flows From Operating Activities:

Change in net assets	\$ 26,419
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	4,888
Changes in operating assets and liabilities:	
Grants receivable	43,994
Other receivables	(9,000)
Prepaid expenses	(4,934)
Accounts payable	(5,779)
Accrued payroll	11,679
Other accruals	<u>7,000</u>

Net cash provided by operating activities	<u>74,267</u>
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Cash flows From Investing Activities

Purchases of property and equipment	<u>(15,420)</u>
Net cash used in investing activities	<u>(15,420)</u>

Net increase in cash and cash equivalents	58,847
Cash at beginning of year	<u>171,425</u>
Cash at end of year	<u><u>\$ 230,272</u></u>

Supplemental schedule of noncash operating activities:

In-kind contributions of videotaping services	\$ 3,828
In-kind contributions of printing services	840
Total In-kind contributions	<u><u>\$ 4,668</u></u>

The accompanying notes are an integral part of these financial statements

CUMBERLAND RIVER COMPACT, INC.
Notes to Financial Statements
March 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Cumberland River Compact, Inc. (the “Organization”) is a nonprofit organization incorporated in 1997 and located in Nashville, Tennessee. The Organization’s mission is to enhance the water quality of the Cumberland River and its tributaries through education and promotion of cooperation among citizens, businesses, and agencies in Tennessee and Kentucky. The Organization’s income comes primarily from government grants and private grants as well as from donations from individuals, foundations and companies.

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, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the statement of activities as unrestricted. When a restriction expires in a period after the contributions are received, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The amount for each of these classes of net assets is displayed in the statement of financial position and the amount of change in each class of net assets is displayed in the statement of activities. There were no permanently restricted net assets as of March 31, 2008.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Project considers all cash funds, cash bank accounts and highly liquid debt instruments, with an original maturity when purchased of three months or less, to be cash and cash equivalents. At March 31, 2008, the Organization had no cash equivalents.

CUMBERLAND RIVER COMPACT, INC
Notes to Financial Statements
March 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Contributions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Accounts Receivable

The Organization considers accounts receivable to be fully collectible at year-end. Accordingly, no allowance for doubtful accounts has been recorded.

Grants Receivable

During the year ended March 31, 2008, the Organization had 19 grants, including 14 reimbursement-type state and federal government grants. Grants receivable at March 31, 2008, consisted primarily of costs incurred on reimbursable grants that had not yet been reimbursed to the Organization.

Property and Equipment

Property and equipment are recorded at cost to the Organization, or if donated, at the estimated fair market value at the date of donation. All depreciation is computed using the straight-line method based on the estimated useful life of the asset. The Organization's capitalization policy is to capitalize any expenditure over \$500 for any office furniture, computers and equipment purchased. Expenditures for repairs and maintenance are charged to operations when incurred. Depreciation expense amounted to \$4,888, for the year ended March 31, 2008.

Expense Allocation

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services based on actual or estimated time employees spend on each function.

CUMBERLAND RIVER COMPACT, INC
Notes to Financial Statements
March 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Use of Estimates

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

Donated Services

Various local companies have donated videotaping services and printing and production of materials for the Organization to use in its marketing efforts to the general public. The value of videotaping services and printing and production of materials for the year ended March 31, 2008 is \$3,828 and \$840, respectively, and is properly reflected in the financial statements.

Income Taxes

The Organization is a nonprofit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code, and the Organization is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

NOTE 2 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at March 31, 2008 for the following purpose:

Watershed Program	\$5,000
Project Blue Streams	<u>452</u>
	<u>\$5,452</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

Building Outside The Box	\$325,058
Watershed	83,388
Local Officials	22,032
Project Blue Streams	<u>27,232</u>
Total restrictions released	<u>\$ 457,710</u>

CUMBERLAND RIVER COMPACT, INC
Notes to Financial Statements
March 31, 2008

NOTE 3 – CONCENTRATION OF CREDIT RISK

Cash is a financial instrument that potentially subjects the Organization to a concentration of credit risk. The Organization has cash deposits in a financial institution in excess of the amount insured by the Federal Depository Insurance Corporation in the amount of \$132,018.97 at March 31, 2008.

NOTE 4 – GRANT INCOME

During the year ended March 31, 2008, the Organization received approximately \$452,000 from various federal and state governmental agencies, including the Environmental Protection Agency, and the Department of Agriculture. The Organization has numerous contractual grant agreements with one to five year terms and grant amounts totaling \$1.3 million over the life of the respective grants. At March 31, 2008, the Organization's existing grant contracts had unspent funds of approximately \$240,000, related to primarily reimbursement-type grants.