

Harpeth River Watershed Association

Financial Statements

March 31, 2012

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McKerley & Noonan, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of
Harpeth River Watershed Association
Nashville, TN

We have audited the accompanying statement of financial position of Harpeth River Watershed Association (a non-profit organization) as of March 31, 2012, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 audit provides 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 Harpeth River Watershed Association as of March 31, 2012, 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 of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2012, on our consideration of Harpeth River Watershed Association, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide and opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.



McKerley & Noonan, P.C.
November 16, 2012

**Harpeth River Watershed Association
Statement of Financial Position
March 31, 2012**

Assets

Current Assets:

Cash in Bank	\$ 126,676
Grants Receivable	7,898
Receivables	12,656
Prepaid Expenses	1,512
Total Current Assets	148,742

Fixed Assets:

Furniture & Equipment	31,230
Less: Accumulated Depreciation	(31,230)
Net Fixed Assets	-

Total Assets	\$ 148,742
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Liabilities and Net Assets

Current Liabilities:

Accounts Payable	\$ 13,174
Deferred Revenue	4,305
Total Current Liabilities	17,479

Net Assets:

Unrestricted Net Assets	117,658
Temporarily Restricted Net Assets	13,605
Total Net Assets	131,263

Total Liabilities and Net Assets	\$ 148,742
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Harpeth River Watershed Association
Statement of Activities and Changes in Net Assets
For the Year Ended March 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support:			
Contributions	\$ 238,581	\$ -	\$ 238,581
Grant Income	-	104,308	104,308
Service Income	7,100	-	7,100
Special Events	96,931	-	96,931
Other Income	997	-	997
Net assets released from Restriction	90,703	(90,703)	-
Total Revenues and Support	<u>434,312</u>	<u>13,605</u>	<u>447,917</u>
Expenses:			
Program Services	330,508	-	330,508
Fundraising	47,388	-	47,388
General and Administrative	15,380	-	15,380
Total Expenses	<u>393,276</u>	<u>-</u>	<u>393,276</u>
Change in Net Assets	41,036	13,605	54,641
Net Assets, Beginning of the Year (As Restated)	<u>76,622</u>	<u>-</u>	<u>76,622</u>
Net Assets - End of the Year	<u><u>\$ 117,658</u></u>	<u><u>\$ 13,605</u></u>	<u><u>\$ 131,263</u></u>

Harpeth River Watershed Association
Statement of Cash Flows
For the Year Ended March 31, 2012

Cash Flows from Operating Activities:

Change in Net Assets	\$ 54,641
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Adjustments to Reconcile Change in Net Assets

to Net Cash Provided by Operating Activities:

Depreciation	1,287
(Increase) Decrease in Grants and Accounts Receivable	3,462
(Increase) Decrease in Prepaid Expenses	868
Increase (Decrease) in Accounts Payable and Other Liabilities	(2,305)

Total Adjustments	<u>3,312</u>
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Net Cash Provided by Operating Activities	<u>57,953</u>
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Net Increase in Cash	57,953
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Cash, Beginning of the Year	<u>68,723</u>
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Cash, End of Year	<u><u>\$ 126,676</u></u>
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Harpeth River Watershed Association
Statement of Functional Expenses
For the Year Ended March 31, 2012

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Benefits	\$ 147,415	\$ 5,191	\$ 7,024	\$ 159,630
Contract Labor	13,439	15	6,673	20,126
Insurance	3,316	184	184	3,685
Professional Fees	95,925	7,224	2,350	105,499
Rent and Utilities	16,231	927	1,168	18,325
Supplies	30,841	157	3,568	34,568
Travel	5,156	4	4	5,163
Special Events	15,716	11	26,353	42,080
Other Expenses	2,469	1,667	64	4,200
	<hr/>	<hr/>	<hr/>	<hr/>
Total Functional Expenses	<u><u>\$ 330,508</u></u>	<u><u>\$ 15,380</u></u>	<u><u>\$ 47,388</u></u>	<u><u>\$ 393,276</u></u>

Harpeth River Watershed Association

Notes to Financial Statements

March 31, 2012

NOTE 1 - DESCRIPTION AND PURPOSE OF THE ORGANIZATION

Harpeth River Watershed Association, Inc. (the Organization) is a non-profit organization whose mission is to enhance the water quality of the Harpeth River and its tributaries through education and by promoting cooperation among citizens, businesses, and agencies in Tennessee. The majority of the Organization's income comes from donations from individuals, companies, and foundations, as well as government grants. In addition, the Organization earned \$7,100 for services performed for third parties.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared on the accrual basis of accounting which means that revenues are recognized when earned and expenses are recorded when incurred. The significant accounting policies of the Organization are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

For financial statement presentation, the Organization reports its financial information according to three classes of net assets (unrestricted net assets, temporarily restricted net assets and permanently restricted net assets) based on the existence or absence of donor-imposed restrictions.

Unrestricted Net Assets

Unrestricted net assets are donations that are not subject to donor-imposed stipulations. Monies received without restriction or released from restriction are generally used to finance the normal day-to-day operations of the Organization.

Temporarily Restricted Net Assets

Temporarily restricted net assets are donations that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/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. At March 31, 2012, there were \$13,605 of temporarily restricted net assets.

Permanently Restricted Net Assets

Permanently restricted net assets are donations subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of March 31, 2012, there were no permanently restricted net assets.

Grants Receivable

The Organization has several reimbursement type governmental grants. Grants receivable at March 31, 2012 represent costs incurred on grants that had not yet been reimbursed. Management believes all amounts are fully collectible.

Fixed Assets

Fixed assets are recorded at cost and are depreciated using the straight-line method based on the following estimated useful lives of the assets.

Furniture & Equipment	5 – 7 years
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Significant additions and betterments are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred.

Classification of Expenses

Expenses are classified functionally as a measure of service efforts and accomplishments. Direct expenses, incurred for a single function, are allocated entirely to that function. Joint expenses applicable to more than one function are allocated on the basis of objectively summarized information or management estimates.

Income Taxes

The Organization is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and therefore, no provision for federal or state income taxes is applicable.

The Organization follows the guidance in ASC 740 on accounting for uncertainty in income taxes (formerly FIN 48). For all tax positions taken by the Organization, management believes it is clear that the likelihood is greater than 50 percent that the full amount of the tax positions taken will be ultimately realized. With few exceptions, the Organization is no longer subject to U.S. federal tax examinations by tax authorities for years before 2009. The Organization incurred no interest or penalties during the year ended March 31, 2012.

In-Kind Contributions

During 2012, many individuals volunteered their time and performed a variety of tasks that assisted the Organization with program services and fundraising events. No amounts have been reflected in the financial statements for these donated services since the volunteers' time did not meet the criteria for recognition under ASC 958-605, Revenue Recognition.

NOTE 3 – CREDIT RISK

The Organization maintains its cash in bank deposit accounts that at times may exceed the federally insured limit of \$250,000. The Organization has a concentration of credit risk with grants receivable from governmental organizations. These grants are secured by the government. Failure by the government to pay the receivables would have a significant financial impact on the Organization.

NOTE 4 – LEASE COMMITMENTS

The Organization rents office space on a month to month basis. Current monthly rent is \$1,552. The Organization paid \$13,943 in rent payments during the year ended March 31, 2012.

NOTE 5 – GRANT INCOME

The Organization received \$104,308 from the U.S. Fish and Wildlife Service during the year ended March 31, 2012, for a lowhead dam project on the Harpeth River. This project continues into 2013.

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 16, 2012, the date that the financial statements were available to be issued.

McKerley & Noonan, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
In Accordance with Government Auditing Standards**

To the Board of Directors of
Harpeth River Watershed Association, Inc.

We have audited the financial statements of Harpeth River Watershed Association, Inc. (a nonprofit organization) as of and for the year ended March 31, 2012, and have issued our report thereon dated November 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Harpeth River Watershed Association, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.


Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether Harpeth River Watershed Association, Inc.'s financial statements are free of material misstatement, we performed tests of its

compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "McKerley & Noonan".

McKerley & Noonan, P.C.
Nashville, Tennessee
November 16, 2012