# HARPETH CONSERVANCY

## FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

## MARCH 31, 2019

**HARPETH CONSERVANCY**

**Table of Contents**

**March 31, 2019**

PURYEAR & NOONAN, CPAs

# Independent Auditor's Report

To the Board of Directors
Harpeth Conservancy
Nashville, Tennessee

***Report on the Financial Statements***

We have audited the accompanying financial statements of Harpeth Conservancy (the Organization) which comprise the statements of financial position as of March 31, 2019, and the related statements of activities and changes in net assets, 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 of 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.

*(Auditor's report continued on next page)*



40 Burton Hills Blvd. | Suite 170 | Nashville, TN 37215 p: (615) 296-0500 | f: (615) 296-0493
830 Crescent Centre Drive | Suite 320 | Franklin, TN 37067 pn-cpas.com

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 the Organization as of March 31, 2019, 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.

Puryear & Noonan, CPAs PLLC

Puryear & Noonan, CPAs
Nashville, Tennessee
December 4, 2019

**Harpeth Conservancy**
**Statement of Financial Position**
**March 31, 2019**

**Assets**

| | | |
|---|---|---|
| **Current Assets** | | |
| Cash | $ | 27,520 |
| Inventory | | 3,764 |
| Prepaid expenses | | 1,873 |
| Account receivable | | 11,625 |
| **Total Current Assets** | | 44,782 |
| **Property and Equipment** | | |
| Furniture and equipment | | 10,459 |
| Less - accumulated depreciation | | (10,459) |
| **Net Property and Equipment** | | - |
| **Total Assets** | $ | 44,782 |

**Liabilities and Net Assets**

| | | |
|---|---|---|
| **Current Liabilities** | | |
| Accounts payable | $ | 15,136 |
| Due to other organizations | | 2,955 |
| Deferred revenue | | 1,000 |
| **Total Current Liabilities** | | 19,091 |
| **Net Assets** | | |
| Net Assets Without Donor Restrictions | | (5,809) |
| Net Assets With Donor Restricitons | | 31,500 |
| **Total Net Assets** | | 25,691 |
| **Total Liabilities and Net Assets** | $ | 44,782 |

See independent auditor's report and accompanying notes to financial statements.

## Harpeth Conservancy
## Statement of Activities and Changes in Net Assets
## For the Year Ended March 31, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Revenues and Support** | | | |
| Special events income | $ 241,799 | $ - | $ 241,799 |
| Less - special events direct costs | (122,689) | - | (122,689) |
| Net special events income | 119,110 | - | 119,110 |
| Contributions | 247,930 | 49,200 | 297,130 |
| Grant income | 10,849 | - | 10,849 |
| Service income | 5,000 | - | 5,000 |
| Merchandise sales | 1,594 | - | 1,594 |
| Other income | 264 | - | 264 |
| Net assets released from restriction | 41,444 | (41,444) | - |
| **Total Revenues and Support** | 426,191 | 7,756 | 433,947 |
| **Expenses** | | | |
| Program services | 428,959 | - | 428,959 |
| Fundraising | 52,297 | - | 52,297 |
| General and administrative | 26,365 | - | 26,365 |
| **Total Expenses** | 507,621 | - | 507,621 |
| **Change in Net Assets** | (81,430) | 7,756 | (73,674) |
| **Net Assets - Beginning of Year** | 75,621 | 23,744 | 99,365 |
| **Net Assets - End of Year** | $ (5,809) | $ 31,500 | $ 25,691 |

See independent auditor's report and accompanying notes to financial statements.

**Harpeth Conservancy**
**Statement of Cash Flows**
**For the Year Ended March 31, 2019**

| | | |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Change in net assets | $ | (73,674) |
| **Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities** | | |
| Depreciation expense | | 399 |
| (Increase) decrease in grants and accounts receivable | | 91,055 |
| (Increase) decrease in inventory | | (758) |
| (Increase) decrease in prepaid expenses | | 2,512 |
| Increase (decrease) in accounts payable and other liabilities | | (17,429) |
| **Net Cash Provided by Operating Activities** | | 2,105 |
| **Change in Cash** | | 2,105 |
| **Cash - Beginning of Year** | | 25,415 |
| **Cash - End of Year** | $ | 27,520 |

See independent auditor's report and accompanying notes to financial statements.

**Harpeth Conservancy**
**Statement of Functional Expenses**
**For the Year Ended March 31, 2019**

| | Program Services | General and Administrative | Fundraising | Total |
|---|---|---|---|---|
| Salaries and benefits | $ 293,249 | $ 10,473 | $ 45,385 | $ 349,107 |
| Professional fees | 33,015 | 8,618 | 512 | 42,145 |
| Rent and utilities | 33,018 | 1,484 | 1,484 | 35,986 |
| Supplies | 33,754 | 533 | 3,587 | 37,874 |
| Aquifer expenses | 11,692 | - | - | 11,692 |
| Contract labor | 7,059 | 247 | 1,069 | 8,375 |
| Insurance | 4,875 | 260 | 260 | 5,395 |
| Depreciation | 399 | - | - | 399 |
| Travel | 9,180 | - | - | 9,180 |
| Other expenses | 2,718 | 4,750 | - | 7,468 |
| **Total Functional Expenses** | $ 428,959 | $ 26,365 | $ 52,297 | $ 507,621 |

See independent auditor's report and accompanying notes to financial statements.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Organization and Purpose*

Harpeth Conservancy, formerly the Harpeth River Watershed Association, Inc., (the Organization), is a science-based conservation organization for the rivers in Tennessee. Founded in 1999, the Harpeth Conservancy's mission is to restore and protect clean water and healthy ecosystems for rivers in Tennessee by employing scientific expertise and collaborative relationships to develop, promote and support broad community stewardship and action. The majority of the Organization's income comes from donations from individuals, businesses, and foundations, as well as government grants.

### *Basis of Accounting*

The financial statements of the Organization have been prepared on the accrual basis of accounting which means that revenues are recognized when earned rather than when collected and expenses are recorded when incurred rather than when disbursed. 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 United States generally accepted accounting principles (U.S. GAAP) 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 two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) based on the existence or absence of donor-imposed restrictions.

### *Net Assets without Donor Restrictions*

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. Net assets without restrictions may be designated for specific purposes by action of the Board of Directors.

***Net Assets with Donor Restrictions***
Net assets subject to stipulations imposed by donors and grantors that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time. When a restriction expires, 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, 2019, there were $31,500 of restricted net assets.

***Accounts Receivable***
The Organization has several reimbursement type governmental and foundation grants. Accounts receivable at March 31, 2019 consists of $11,625 awarded prior to March 31, 2019, and received subsequent to year end.

***Inventory***
Inventory consists of merchandise sold on the Organization's website and is reported at the lower of cost (first-in, first-out method) or net realizable value. It is sold for fundraising purposes.

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

| | |
|---|---|
| Furniture and Equipment | 5 – 7 |

Significant additions and betterments are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred. Depreciation expense for the year ended March 31, 2019 was $399.

***Program and Supporting Services – Functional Expenses***
The following program and supporting services are included in the accompanying financial statements on the Statement of Functional Expenses.

***Program Services*** - includes activities carried out to fulfill the Organization's mission resulting in the programs that help restore and protect clean water and healthy ecosystems for rivers in Tennessee.

***Supporting Services – General and Administrative -*** relates to the overall direction of the Organization. These expenses are not identifiable with a particular program, event or fundraising, but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include organizational oversight, business management, record keeping, budgeting, financing, and other administrative activities.

***Supporting Services - Fundraising -*** includes cost of activities directed toward appeals for financial support and the cost of solicitations and creation and distribution of fundraising materials.

***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 has adopted the guidance in Accounting Standards Codification (ASC) 740 on accounting for uncertainty in income taxes. 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. Therefore, management believes that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for the open tax years (2016-2018), or expected to be taken in the Organization's 2019 tax returns. The Organization identifies its major tax jurisdiction's as the U.S. Federal and the State of Tennessee. However, the Organization is not currently under audit nor has the Organization been contacted by any of these jurisdictions. The Organization is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change in the next twelve months. The Organization incurred no interest or penalties during the year ended March 31, 2019.

***In-Kind Contributions***

During 2019, 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.

In addition, the Organization has received various in-kind contributions of food, drinks, and marketing for their annual fundraising event in the amount of $50,444 which is included in special events income on the statement of activities, and received in-kind professional services of $7,500 which are recorded in professional fees on the statement of functional expenses.

## NOTE 2 - ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

On August 16, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities.* The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. There was no effect in change in the net assets as a result of this adoption.

## NOTE 3 - LIQUIDITY AND AVAILABILITY

The Organization has $39,145 of financial assets consisting of cash and receivables, of which $31,500 is subject to donor restrictions of time or purpose, therefore, leaving $7,645 available to meet cash needs for general expenditures. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

The Organization also has a $50,000 line of credit that has a stated interest rate of prime plus 6%. There were no borrowings on the line of credit during the year ended March 31, 2019.

## NOTE 4 - LEASE COMMITMENTS

The Organization rents office space on a month to month basis. Current monthly rent is $2,862. The Organization paid $35,249 in rent payments during the year ended March 31, 2019.

## NOTE 5 - GRANT INCOME

The Organization was awarded $28,000 from the Tennessee Department of Agriculture for a reimbursement grant. The Organization has not incurred any expenses related to this grant during the year ended March 31, 2019.

## NOTE 6 - SUBSEQUENT EVENTS

Subsequent to year end the Organization received contributions of $50,000 from major donors as a result of meetings made at the end of the fiscal year March 31,

2019. Management has evaluated subsequent events through December 4, 2019, the date that the financial statements were available to be issued.

**NOTE 7 - ACCOUNTING STANDARDS NOT YET ADOPTED**

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers,* which establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance. For non-public entities, the new standard was originally effective for annual periods beginning after December 15, 2017. In August 2015, the FASB issued ASU 2015-4, *Revenue from Contracts with Customers (Topic 606) – Deferral of Effective Date*, which deferred the effective date for one year. Accordingly, this ASU will be effective for the Organization for the year ending March 31, 2020. The Organization is currently evaluating the effect the provisions of ASU 2014-09 will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASC 842), which requires lessees to recognize assets and liabilities for most leases. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee is not expected to significantly change under such guidance. The standard, as amended, will be effective for annual reporting periods beginning after December 15, 2020. Accordingly, this ASU will be effective for the Organization for the year ending March 31, 2022. The Organization is currently evaluating the impact that adoption of this ASU will have on the Organization's financial position and results of operations.