

# Harpeth River Watershed Association

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Financial Statements

March 31, 2014

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# *McKerley & Noonan, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Harpeth River Watershed Association (the Organization) which comprise the statements of financial position as of March 31, 2014, 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 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 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.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of as of March 31, 2014, 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014, on our consideration of the Organization'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 that testing, and not to provide an 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* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "McKerley & Noonan". The signature is written in a cursive, flowing style.

McKerley & Noonan, P.C.

October 24, 2014

**Harpeth River Watershed Association  
Statement of Financial Position  
March 31, 2014**

**Assets**

**Current Assets:**

Cash in Bank	\$	149,934
Receivables - Net		7,520
Prepaid Expenses		2,852
<b>Total Current Assets</b>		160,306

**Fixed Assets:**

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

**Total Assets**

\$ 160,306

**Liabilities and Net Assets**

**Current Liabilities:**

Accounts Payable	\$	1,794
Deferred Revenue		9,608
<b>Total Current Liabilities</b>		11,402

**Net Assets:**

Unrestricted Net Assets		126,754
Temporarily Restricted Net Assets		22,149
<b>Total Net Assets</b>		148,903

**Total Liabilities and Net Assets**

\$ 160,306

**Harpeth River Watershed Association**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended March 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues and Support:</b>			
Contributions	\$ 266,701	\$ 26,150	\$ 292,850
Grant Income	-	61,105	61,105
Service Income	9,835	-	9,835
Special Events	109,965	-	109,965
Other Income	468	-	468
Net assets released from Restriction	65,787	(65,787)	-
<b>Total Revenues and Support</b>	<u>452,755</u>	<u>21,468</u>	<u>474,223</u>
<b>Expenses:</b>			
Program Services	340,518	-	340,518
Fundraising	82,490	-	82,490
General and Administrative	16,981	-	16,981
<b>Total Expenses</b>	<u>439,989</u>	<u>-</u>	<u>439,989</u>
<b>Change in Net Assets</b>	12,766	21,468	34,234
<b>Net Assets, Beginning of the Year</b>	<u>113,988</u>	<u>681</u>	<u>114,669</u>
<b>Net Assets - End of the Year</b>	<u>\$ 126,754</u>	<u>\$ 22,149</u>	<u>\$ 148,903</u>

**Harpeth River Watershed Association  
Statement of Cash Flows  
For the Year Ended March 31, 2014**

<b>Cash Flows from Operating Activities:</b>	
Change in Net Assets	\$ 34,234
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:</b>	
(Increase) Decrease in Grants and Accounts Receivable	12,444
(Increase) Decrease in Prepaid Expenses	(128)
Increase (Decrease) in Accounts Payable and Other Liabilities	<u>(8,735)</u>
<b>Total Adjustments</b>	<u>3,581</u>
<b>Net Cash Provided by Operating Activities</b>	37,815
 <b>Net Increase in Cash</b>	 37,815
 <b>Cash, Beginning of the Year</b>	 <u>112,119</u>
 <b>Cash, End of Year</b>	 <u><u>\$ 149,934</u></u>

**Harpeth River Watershed Association  
Statement of Functional Expenses  
For the Year Ended March 31, 2014**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Benefits	\$ 222,602	\$ 7,799	\$ 32,194	\$ 262,595
Contract Labor	12,872	-	-	12,872
Insurance	5,168	287	287	5,742
Professional Fees	31,148	5,607	95	36,850
Rent and Utilities	29,279	1,515	1,515	32,309
Supplies	28,683	76	2,727	31,486
Travel	3,402	-	86	3,488
Special Events	569	-	45,586	46,155
Other Expenses	6,795	1,697	-	8,492
<b>Total Functional Expenses</b>	<u>\$ 340,518</u>	<u>\$ 16,981</u>	<u>\$ 82,490</u>	<u>\$ 439,988</u>



Harpeth River Watershed Association

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Notes to Financial Statements

March 31, 2014

**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 \$9,835 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, 2014, there were \$22,149 of temporarily restricted net assets earmarked for the river restoration program.

***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, 2014, there were no permanently restricted net assets.

***Accounts Receivable***

The Organization has several reimbursement type governmental grants. Accounts receivable at March 31, 2013 represent costs incurred on grants that had not yet been reimbursed. Management has recorded an allowance for doubtful accounts of \$4,700 to reserve for potentially uncollectible receivables due from the City of Franklin.

***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 2011. The Organization

incurred no interest or penalties during the year ended March 31, 2014.

***In-Kind Contributions***

During 2014, 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 \$2,394. The Organization paid \$28,892 in rent payments during the year ended March 31, 2014.

**NOTE 5 – GRANT INCOME**

The Organization received \$29,385 from the Tennessee Department of Agriculture who administers the NPS 319 grant on behalf of the US-EPA. In addition, the Organization received grant funds from Hands on Nashville for the flood recovery program.

**NOTE 6 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 24, 2014, the date that the financial statements were available to be issued.

# *McKerley & Noonan, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

## **Independent Auditor's 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, in accordance with the 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, the financial statements of Harpeth River Watershed Association, Inc. (a nonprofit organization) which comprise the statement of financial position as of March 31, 2014, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2014.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Harpeth River Watershed Association, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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 grant agreements, 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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



McKerley & Noonan, P.C.  
Nashville, Tennessee  
October 24, 2014