



Financial Statements
March 31, 2018

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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 Conservancy (the Organization) which comprise the statements of financial position as of March 31, 2018, 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 the Organization as of March 31, 2018, 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.

A handwritten signature in blue ink, reading "McKerley & Noonan". The signature is written in a cursive, flowing style.

McKerley & Noonan, P.C.

December 5, 2018

Harpeth Conservancy
Statement of Financial Position
March 31, 2018

Assets

Current Assets:

Cash in Bank	\$ 25,415
Inventory	3,006
Prepaid Expenses	4,385
Receivables - Net	102,680
Total Current Assets	135,486

Fixed Assets:

Furniture & Equipment	10,459
Less: Accumulated Depreciation	(10,060)
Net Fixed Assets	399

Total Assets	\$ 135,885
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Liabilities and Net Assets

Current Liabilities:

Accounts Payable	\$ 28,777
Due to Other Organizations	3,243
Deferred Revenue	4,500
Total Current Liabilities	36,520

Net Assets:

Unrestricted Net Assets	75,621
Temporarily Restricted Net Assets	23,744
Total Net Assets	99,365

Total Liabilities and Net Assets	\$ 135,885
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Harpeth Conservancy
Statement of Activities and Changes in Net Assets
For the Year Ended March 31, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support:			
Contributions	\$ 292,644	\$ 79,850	\$ 372,494
Special Events	179,107	-	179,107
In-Kind Income	269,531	-	269,531
Grant Income	-	4,480	4,480
Service Income	2,496	-	2,496
Merchandise Sales	1,376	-	1,376
Other Income	487	-	487
Net assets released from Restriction	<u>76,204</u>	<u>(76,204)</u>	<u>-</u>
Total Revenues and Support	<u>821,845</u>	<u>8,126</u>	<u>829,971</u>
Expenses:			
Program Services	653,886	-	653,886
Fundraising	153,356	-	153,356
General and Administrative	<u>22,061</u>	<u>-</u>	<u>22,061</u>
Total Expenses	<u>829,303</u>	<u>-</u>	<u>829,303</u>
Change in Net Assets	(7,458)	8,126	668
Net Assets, Beginning of the Year	<u>83,079</u>	<u>15,618</u>	<u>98,697</u>
Net Assets - End of the Year	<u><u>\$ 75,621</u></u>	<u><u>\$ 23,744</u></u>	<u><u>\$ 99,365</u></u>

**Harpeth Conservancy
Statement of Cash Flows
For the Year Ended March 31, 2018**

Cash Flows from Operating Activities:

Change in Net Assets	\$ 668
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Adjustments to Reconcile Change in Net Assets

to Net Cash Provided by Operating Activities:

Depreciation Expense	298
(Increase) Decrease in Grants and Accounts Receivable	(71,212)
(Increase) Decrease in Inventory	(3,006)
(Increase) Decrease in Prepaid Expenses	6,791
Increase (Decrease) in Accounts Payable and Other Liabilities	9,745

Total Adjustments	<u>(57,384)</u>
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Net Cash Provided by Operating Activities	<u>(56,716)</u>
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Net Decrease in Cash	(56,716)
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Cash, Beginning of the Year	<u>82,131</u>
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Cash, End of Year	<u><u>\$ 25,415</u></u>
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Harpeth Conservancy
Statement of Functional Expenses
For the Year Ended March 31, 2018

	Program Services	General and Administrative	Fundraising	Total
Salaries and Benefits	\$ 293,424	\$ 10,236	\$ 37,531	\$ 341,191
Special Events	-	-	61,475	61,475
In-Kind Fundraising Gifts	-	-	52,579	52,579
Professional Fees	259,422	10,054	-	269,476
Rent and Utilities	32,114	1,484	1,484	35,082
Supplies	38,148	-	-	38,148
Contract Labor	8,850	-	-	8,850
Insurance	5,048	287	287	5,622
Depreciation	298	-	-	298
Travel	8,159	-	-	8,159
Other Expenses	8,423	-	-	8,423
Total Functional Expenses	\$ 653,886	\$ 22,061	\$ 153,356	\$ 829,303

Harpeth Conservancy

Notes to Financial Statements
March 31, 2018

NOTE 1 - DESCRIPTION AND PURPOSE OF THE ORGANIZATION

Harpeth Conservancy, formerly the Harpeth River Watershed Association, Inc., (the Organization), is a science-based conservation organization for the rivers to 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. In addition, the Organization earned \$2,496 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. As of March 31, 2018, there were \$23,744 of temporarily restricted net assets earmarked for the River Restoration program and Water Quality Protection and Sustainability program for watershed assessment work.

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, 2018, there were no permanently restricted net assets.

Accounts Receivable

The Organization has several reimbursement type governmental grants. Accounts receivable at March 31, 2018 includes \$2,680 in costs incurred on grants that had not yet been reimbursed, as well as \$100,000 of contributions that was pledged from two donors during the year ended March 31, 2018.

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 market.

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. Depreciation expense for the year ended March 31, 2018 was \$298.

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. The Organization incurred no interest or penalties during the year ended March 31, 2018.

In-Kind Contributions

During 2017, 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.

The Organization filed a permit appeal with the State of Tennessee alleging that it did not comply with the Clean Water Act in issuing a renewed permit in July 2017 for the City of Franklin for its sewer plant discharge. The City also filed a permit appeal against the state as well. The Waller Lansden Dortch & Davis, LLP law firm agreed to represent the Organization pro bono in the Organization's permit appeal, as well as in matters related to the City of Franklin's compliance with the settlement agreement between the Organization and the City that resolved the Organization's 2014 citizens suit under the Clean Water Act regarding the City of Franklin's compliance with its sewer plant permit. The Organization has recorded an in-kind contribution of estimated legal services in the amount of \$209,317.

In addition, the Organization has received various in-kind contributions of food, drinks, and marketing for their annual fundraising event in the amount of \$53,579, and professional services of \$6,635.

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.

NOTE 4 – LEASE COMMITMENTS

The Organization rents office space on a month to month basis. Current monthly rent is \$2,745. The Organization paid \$33,502 in rent payments during the year ended March 31, 2018.

NOTE 5 – GRANT INCOME

The Organization received \$3,480 from the Tennessee Department of Agriculture who administers the NPS 319 grant on behalf of the US-EPA. In addition, the Organization received \$1,500 in grant funds from the Tennessee Wildlife Resources Agency for the river restoration program.

NOTE 6 – LINE OF CREDIT

The Organization obtained a \$50,000 line of credit that has a stated interest rate of prime plus 6%. The line of credit expires March 1, 2019. There were no borrowings on the line of credit as of March 31, 2018.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 5, 2018, the date that the financial statements were available to be issued.