

**Harpeth River Watershed Association, Inc.**  
**Financial Statements**  
**December 31, 2004**

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*McKerley & Noonan, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditors' Report**

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

We have audited the accompanying statement of financial position of Harpeth River Watershed Association, Inc. (a nonprofit organization) as of December 31, 2004 and the related statements of activities and changes in net assets 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 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, Inc. as of December 31, 2004, 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 August 5, 2005, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

*McKerley & Noonan*

McKerley & Noonan, P.C.  
August 5, 2005

**Harpeth River Watershed Association, Inc.**  
**Statement of Financial Position**  
**December 31, 2004**

**Assets**

**Current Assets**

Cash in Bank	\$ 57,286
Grants Receivable	11,729
<b>Total Current Assets</b>	<u>69,015</u>

**Fixed Assets**

Furniture and Equipment	11,254
Less: Accumulated Depreciation	(4,309)
<b>Total Fixed Assets</b>	<u>6,945</u>

<b>Total Assets</b>	<u><u>\$ 75,960</u></u>
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**Liabilities and Net Assets**

**Current Liabilities**

Accounts Payable	\$ 8,071
Accrued Wages	13,387
Payroll Tax Liabilities	3,428
<b>Total Current Liabilities</b>	<u>24,886</u>

**Net Assets**

Unrestricted	29,294
Temporarily Restricted	21,780
<b>Total Net Assets</b>	<u>51,074</u> ✓

<b>Total Liabilities and Net Assets</b>	<u><u>\$ 75,960</u></u>
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**Harpeth River Watershed Association, Inc.**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2004**

	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>			
Contributions	\$ 150,378	\$ 56,666	\$ 207,044
Grant Income	-	85,217	85,217
Service Income	17,122	-	17,122
Other Income	1,272	-	1,272
Net Assets Released from Restrictions	120,103	(120,103)	-
<b>Total Support and Revenue</b>	<b>288,875</b>	<b>21,780</b>	<b>310,655 ✓</b>
<b>Fundraising Expenses</b>			
Contract Labor	23,472	-	23,472
Payroll	9,846	-	9,846
Special Events	6,053	-	6,053
Other	1,478	-	1,478
<b>Total Fundraising Expenses</b>	<b>40,849</b>	<b>-</b>	<b>40,849</b>
<b>Administrative Expenses</b>			
Payroll	11,713	-	11,713
Contract Labor	2,604	-	2,604
Fees	348	-	348
Professional Fees	591	-	591
Depreciation	2,136	-	2,136
Other	625	-	625
<b>Total Administrative Expenses</b>	<b>18,017</b>	<b>-</b>	<b>18,017</b>
<b>Program Expenses</b>			
Payroll	55,916	-	55,916
Contract Labor	114,271	-	114,271
Conference and Meeting Cost	12,510	-	12,510
Insurance	1,860	-	1,860
Travel	7,434	-	7,434
Professional Fees	5,112	-	5,112
Rent	12,720	-	12,720
Office	14,514	-	14,514
Other	3,105	-	3,105
<b>Total Program Expenses</b>	<b>227,442</b>	<b>-</b>	<b>227,442</b>
<b>Total Expenses</b>	<b>286,308</b>	<b>-</b>	<b>286,308 ✓</b>
<b>Change in Net Assets</b>	<b>2,567</b>	<b>21,780</b>	<b>24,347</b>
<b>Net Assets at Beginning of Year</b>	<b>26,727</b>	<b>-</b>	<b>26,727</b>
<b>Net Assets at End of Year</b>	<b>\$ 29,294</b>	<b>\$ 21,780</b>	<b>\$ 51,074</b>

**Harpeth River Watershed Association, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2004**

**Cash Flows from Operating Activities**

Change in Net Assets	\$ 24,347
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**Adjustments to Reconcile Change in Net Assets  
to Net Cash Provided by Operating Activities**

Depreciation	2,136
(Increase) Decrease in Grant Receivable	(10,729)
Increase (Decrease) in Accounts Payable	(3,990)
Increase (Decrease) in Accrued Wages	13,387
Increase (Decrease) in Payroll Liabilities	3,428
Total Adjustments	4,232

Net Cash Provided by Operating Activities	28,579
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**Cash Flows from Investing Activities**

Cash Payments for the Purchase of Fixed Assets	(984)
Net Cash Used by Investing Activities	(984)

Net Increase (Decrease) in Cash	27,595
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Cash in Bank Beginning of Year	29,691
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Cash in Bank End of Year	\$ 57,286
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**Harpeth River Watershed Association, Inc.**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2004**

**Note 1 - Description and Purpose of Organization**

Nature of Organization

Harpeth River Watershed Association, Inc. (the Organization) is a non-profit organization that's 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 \$17,122 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 statements 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

Net assets 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.

**Harpeth River Watershed Association, Inc.**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2004**

**Note 2 - Summary of Significant Accounting Policies (continued)**

Temporarily Restricted Net Assets

Net assets 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 December 31, 2004 temporarily restricted net assets of \$21,780 represent funds subject to restricted use in the Organization's watershed programs.

Permanently Restricted Net Assets

Net assets 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 December 31, 2004, there were no permanently restricted net assets.

Grants Receivable

The Organization has several reimbursement type governmental grants. Grants receivable at December 31, 2004 represent costs incurred on the grants that had not yet been reimbursed.

Fixed Assets

Fixed assets are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Significant additions and betterments are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred.

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.

**Note 3 – In-Kind Contributions**

Many individuals volunteer their time and perform a variety of tasks that assist 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 does not meet the criteria for recognition under SFAS No. 116.



# *McKerley & Noonan, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

## **Report on Compliance and on Internal Control over Financial Reporting 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 December 31, 2004, and have issued our report thereon dated August 5, 2005. 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.

### **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 that are required to be reported under Government Auditing Standards.

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

In planning and performing our audit, we considered Harpeth River Watershed Association, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Directors, 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.

*McKerley & Noonan*

McKerley & Noonan, P.C.  
Nashville, Tennessee  
August 5, 2005