

# Harpeth River Watershed Association

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Financial Statements

March 31, 2015

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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 River Watershed Association (the Organization) which comprise the statements of financial position as of March 31, 2015, 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, 2015, 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 black ink, reading "McKerley & Noonan". The signature is written in a cursive, flowing style with a small star or dot between the two names.

McKerley & Noonan, P.C.

November 3, 2015

**Harpeth River Watershed Association  
Statement of Financial Position  
March 31, 2015**

**Assets**

**Current Assets:**

Cash in Bank	\$ 139,650
Receivables - Net	14,646
<b>Total Current Assets</b>	<b>154,296</b>

**Fixed Assets:**

Furniture & Equipment	72,681
Less: Accumulated Depreciation	(37,224)
<b>Net Fixed Assets</b>	<b>35,457</b>

<b>Total Assets</b>	<b>\$ 189,753</b>
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**Liabilities and Net Assets**

**Current Liabilities:**

Accounts Payable	\$ 5,841
Deferred Revenue	13,534
Due to HVRP Fund	1,145
<b>Total Current Liabilities</b>	<b>20,520</b>

**Net Assets:**

Unrestricted Net Assets	162,057
Temporarily Restricted Net Assets	7,175
<b>Total Net Assets</b>	<b>169,232</b>

<b>Total Liabilities and Net Assets</b>	<b>\$ 189,753</b>
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**Harpeth River Watershed Association**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended March 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues and Support:</b>			
Contributions	\$ 304,973	\$ 33,593	\$ 338,566
Special Events	121,178	-	121,178
In-Kind Income	148,443		148,443
Grant Income	-	18,149	18,149
Service Income	5,875	-	5,875
Other Income	342	-	342
Net assets released from Restriction	66,716	(66,716)	-
<b>Total Revenues and Support</b>	<u>647,527</u>	<u>(14,974)</u>	<u>632,553</u>
<b>Expenses:</b>			
Program Services	470,823	-	470,823
Fundraising	120,992	-	120,992
General and Administrative	20,409	-	20,409
<b>Total Expenses</b>	<u>612,224</u>	<u>-</u>	<u>612,224</u>
<b>Change in Net Assets</b>	35,303	(14,974)	20,329
<b>Net Assets, Beginning of the Year</b>	<u>126,754</u>	<u>22,149</u>	<u>148,903</u>
<b>Net Assets - End of the Year</b>	<u><u>\$ 162,057</u></u>	<u><u>\$ 7,175</u></u>	<u><u>\$ 169,232</u></u>

**Harpeth River Watershed Association  
Statement of Cash Flows  
For the Year Ended March 31, 2015**

**Cash Flows from Operating Activities:**

Change in Net Assets	\$ 20,329
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**Adjustments to Reconcile Change in Net Assets**

**to Net Cash Provided by Operating Activities:**

Depreciation Expense	5,994
(Increase) Decrease in Grants and Accounts Receivable	(7,126)
(Increase) Decrease in Prepaid Expenses	2,852
Increase (Decrease) in Accounts Payable and Other Liabilities	9,118

<b>Total Adjustments</b>	<u>10,838</u>
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<b>Net Cash Provided by Operating Activities</b>	<u>31,167</u>
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**Cash Flows from Investing Activities**

Purchase of Fixed Assets	<u>(41,451)</u>
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<b>Net Cash Provided by Investing Activities</b>	<u>(41,451)</u>
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<b>Net Decrease in Cash</b>	(10,284)
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<b>Cash, Beginning of the Year</b>	<u>149,934</u>
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<b>Cash, End of Year</b>	<u><u>\$ 139,650</u></u>
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**Harpeth River Watershed Association  
Statement of Functional Expenses  
For the Year Ended March 31, 2015**

	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and Benefits	\$ 243,925	\$ 8,132	\$ 40,454	\$ 292,511
Special Events	241	-	46,075	46,316
In-Kind Fundraising Gifts	-	-	29,754	29,754
Professional Fees	149,909	9,224	24	159,157
Rent and Utilities	29,658	1,489	1,489	32,636
Supplies	18,800	449	2,845	22,094
Contract Labor	10,858	-	-	10,858
Insurance	6,566	322	351	7,239
Depreciation	5,994	-	-	5,994
Travel	3,295	-	-	3,295
Other Expenses	1,577	793	-	2,370
<b>Total Functional Expenses</b>	<b>\$ 470,823</b>	<b>\$ 20,409</b>	<b>\$ 120,992</b>	<b>\$ 612,224</b>



## Harpeth River Watershed Association

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### Notes to Financial Statements

March 31, 2015

## **NOTE 1 - DESCRIPTION AND PURPOSE OF THE ORGANIZATION**

Harpeth River Watershed Association, Inc. (the Organization) is a science based conservation policy organization whose mission is to protect and restore the ecological health of the state scenic Harpeth River and clean water in Tennessee. The Organization collaborates with citizens, business, local, state, and federal decision makers and others to create and implement solutions to reduce pollution, restore degraded areas, protect pristine areas, implement effective conservation policies, and promote recreation and education. 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 \$5,875 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, 2015, there were \$7,175 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, 2015, there were no permanently restricted net assets.

***Accounts Receivable***

The Organization has several reimbursement type governmental grants. Accounts receivable at March 31, 2015 represent costs incurred on grants that had not yet been reimbursed.

***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, 2015 was \$5,994.

***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, 2015.

#### ***In-Kind Contributions***

During 2015, 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 is in litigation with the City of Franklin in order to get the City of Franklin to comply with the regulations under the Clean Water Act. The Organization is using the Southern Environmental Law Center, a non-profit legal firm in the lawsuit with the City of Franklin. The Organization has recorded an in-kind contribution of estimated legal services in the amount of \$100,000.

In addition, the Organization has received various in-kind contributions of food, drinks, and marketing for their annual fundraising event in the amount of \$29,754, and professional program services of \$13,900.

#### **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 \$2,448. The Organization paid \$29,380 in rent payments during the year ended March 31, 2015.

#### **NOTE 5 – GRANT INCOME**

The Organization received \$17,049 from the Tennessee Department of Agriculture who administers the NPS 319 grant on behalf of the US-EPA. In addition, the Organization received \$1,100 in grant funds from the Tennessee Wildlife Resources Agency for the river restoration program.

**NOTE 6 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 3, 2015, the date that the financial statements were available to be issued.