

**Harpeth River Watershed Association, Inc.**  
**Financial Statements**  
**December 31, 2007**

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**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, 2007 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, 2007, 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 April 30, 2008, 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.  
April 30, 2008

**Harpeth River Watershed Association, Inc.**  
**Statement of Financial Position**  
**December 31, 2007**

<b>Assets</b>	
<b>Current Assets</b>	
Cash in Bank	\$ 41,057
Certificates of Deposit	30,008
Grants Receivable	3,076
Other Receivable	3,237
Prepaid Expenses	3,423
<b>Total Current Assets</b>	<u>80,801</u>
<b>Fixed Assets</b>	
Furniture and Equipment	37,067
Less: Accumulated Depreciation	<u>(19,025)</u>
<b>Total Fixed Assets</b>	<u>18,042</u>
<b>Total Assets</b>	<u><u>\$ 98,843</u></u>
<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 8,795
Accrued Expenses	12,457
Payroll Liabilities	4,602
<b>Total Current Liabilities</b>	<u>25,854</u>
<b>Net Assets</b>	
Unrestricted	45,016
Temporarily Restricted	<u>27,973</u>
<b>Total Net Assets</b>	<u>72,989</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 98,843</u></u>

**Harpeth River Watershed Association, Inc.**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2007**

	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>			
Contributions	\$ 265,711	\$ 27,973	\$ 293,684
Grant Income	-	149,969	149,969
Service Income	2,679	-	2,679
Special Events	94,341	-	94,341
In-Kind Contributions	5,653	-	5,653
Other Income	3,575	-	3,575
Net Assets Released from Restrictions	154,583	(154,583)	-
<b>Total Support and Revenue</b>	<u>526,542</u>	<u>23,359</u>	<u>549,901</u>
<b>Fundraising Expenses</b>			
Contract Labor	3,928	-	3,928
Payroll	64,384	-	64,384
Special Events	42,913	-	42,913
Other	17,282	-	17,282
<b>Total Fundraising Expenses</b>	<u>128,507</u>	<u>-</u>	<u>128,507</u>
<b>Administrative Expenses</b>			
Payroll	34,839	-	34,839
Contract Labor	1,839	-	1,839
Fees	710	-	710
Other	4,744	-	4,744
<b>Total Administrative Expenses</b>	<u>42,132</u>	<u>-</u>	<u>42,132</u>
<b>Program Expenses</b>			
Payroll	294,943	-	294,943
Contract Labor	20,611	-	20,611
Conference and Meeting Cost	10,530	-	10,530
Insurance	4,196	-	4,196
Travel	6,786	-	6,786
Professional Fees	43,353	-	43,353
Rent	22,158	-	22,158
Supplies	35,788	-	35,788
Other	16,077	-	16,077
<b>Total Program Expenses</b>	<u>454,442</u>	<u>-</u>	<u>454,442</u>
<b>Total Expenses</b>	<u>625,081</u>	<u>-</u>	<u>625,081</u>
<b>Change in Net Assets</b>	(98,539)	23,359	(75,180)
<b>Net Assets at Beginning of Year</b>	<u>143,555</u>	<u>4,614</u>	<u>148,169</u>
<b>Net Assets at End of Year</b>	<u><u>\$ 45,016</u></u>	<u><u>\$ 27,973</u></u>	<u><u>\$ 72,989</u></u>

See Notes to the Financial Statements

**Harpeth River Watershed Association, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2007**

**Cash Flows from Operating Activities**

Change in Net Assets	\$ (75,180)
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**Adjustments to Reconcile Change in Net Assets  
to Net Cash Provided by Operating Activities**

Depreciation	7,602
Decrease in Grant Receivable	45,449
Increase in Other Receivable	(1,857)
Increase in Prepaid Expenses	(1,307)
Increase in Accounts Payable	3,810
Increase in Accrued Expenses	11,691
Decrease in Payroll Liabilities	(5,174)
Total Adjustments	60,214

<b>Net Cash Provided by Operating Activities</b>	(14,966)
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**Cash Flows from Investing Activities**

Cash Payments for the Purchase of Fixed Assets	(15,828)
Cash Received from Certificates of Deposit	22,992
<b>Net Cash Used by Investing Activities</b>	7,164

<b>Net Increase (Decrease) in Cash</b>	(7,802)
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<b>Cash in Bank Beginning of Year</b>	48,859
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<b>Cash in Bank End of Year</b>	\$ 41,057
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**Harpeth River Watershed Association, Inc.**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2007**

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

Nature of 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 \$2,679 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

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, 2007**

**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, 2007 temporarily restricted net assets totaled \$27,973 of which \$18,198 represent funds subject to restricted use in the Organization's watershed programs and \$9,775 are restricted for use in the general fund beginning January 1, 2008.

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, 2007, there were no permanently restricted net assets.

Certificates of Deposit

The Organization has invested in various certificates of deposit which earn interest at from 5.0% to 5.25% and have maturities from 3 months to 12 months.

Grants Receivable

The Organization has several reimbursement type governmental grants. Grants receivable at December 31, 2007 represent costs incurred on grants that had not yet been reimbursed. Management believes all amounts are fully collectible.

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.



**Harpeth River Watershed Association, Inc.**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2007**

**Note 3 – In-Kind Contributions**

The Organization received \$5,039 of donated refreshments and supplies for their Lost Loon event. The Organization booked this amount as in-kind contribution income and as a related event expense. The Organization also received \$615 of donated legal services that was booked as an in-kind contribution income and as a related legal expense.

During 2007, 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 SFAS No. 116.

**Note 4 – Grant Income**

The Organization received \$149,969 from various governmental agencies, including the Department of Agriculture, the U.S. Environmental Protection Agency, and the Tennessee Wildlife Resources Agency.

**Note 5 – Operating Leases**

The Organization entered into a lease agreement for office space with payments of \$2,850 per month for a term of three years on April 1, 2007. Prior to April 1, 2007, the Organization leased office space on a month-to-month basis for payments of \$1,092 per month. The Organization paid a total of \$28,925 in rent for office space during 2007.

The Organization entered into a lease agreement for a copier on April 10, 2007 for a term of three years. The lease calls for base payments of \$209 per month plus \$48 per month service and additional fees based on usage. The Organization paid \$3,965 in lease payments for the copier in 2007.

Future minimum lease payments for the organization are as follows:

2008	\$ 37,281
2009	37,281
2010	15,277

**Note 6 – Concentration of Credit Risk**

The Organization has a concentration of credit risk with the grants receivable with various governmental organizations. Failure by the governmental organizations to pay the receivables would have a significant financial impact on the Organization. The Organization also maintains at various times cash balances in excess of \$100,000 in high credit quality banks, which are insured by the Federal Deposit Insurance Corporation up to \$100,000.