

CUMBERLAND RIVER COMPACT, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2018

CUMBERLAND RIVER COMPACT, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Cumberland River Compact, Inc.
Nashville, Tennessee

We have audited the accompanying financial statements of Cumberland River Compact, Inc. (a nonprofit organization) which comprise the statement of financial position as of March 31, 2018, and the related statements of activities and cash flows 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cumberland River Compact, Inc. as of March 31, 2018, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CPA Consulting Group, PLLC

Nashville, Tennessee
January 11, 2019

CUMBERLAND RIVER COMPACT, INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018

ASSETS

CURRENT ASSETS

Cash	\$ 1,420,635
Short-term investments	150,640
Promises to give, due within one year	79,279
Grants receivable	130,300
Other receivables	1,901
Deposits	9,027
Prepaid expenses	<u>14,773</u>

Total current assets	<u><u>1,806,555</u></u>
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PROPERTY AND EQUIPMENT, NET	<u>113,169</u>
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PROMISES TO GIVE - DUE IN MORE THAN ONE YEAR	<u>19,000</u>
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Total assets	<u><u>\$ 1,938,724</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 235,834
Deferred lease liability	6,835
Other current liabilities	<u>6,792</u>

Total current liabilities	<u>249,461</u>
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NET ASSETS

Unrestricted	1,304,382
Unrestricted - board designated	50,000
Temporarily restricted	<u>334,881</u>

Total net assets	<u><u>1,689,263</u></u>
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Total liabilities and net assets	<u><u>\$ 1,938,724</u></u>
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See accompanying notes to financial statements and independent auditors' report.

CUMBERLAND RIVER COMPACT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Contributions	\$ 53,458	\$ -	\$ 53,458
Government grants	124,788	62,000	186,788
Other grants	150,635	326,951	477,586
In-kind contributions	51,662	-	51,662
Special events, net of direct costs of \$35,501	75,632	-	75,632
Membership	33,663	-	33,663
Program service fees	444,988	-	444,988
River workshop fees	68,275	-	68,275
Interest income	3,102	-	3,102
Other income(loss)	19	-	19
Net assets released from restriction	<u>580,286</u>	<u>(580,286)</u>	<u>-</u>
Total revenue and other support	<u>1,586,508</u>	<u>(191,335)</u>	<u>1,395,173</u>
EXPENSES			
Program services	1,076,008	-	1,076,008
Management and general	354,696	-	354,696
Fundraising	<u>117,528</u>	<u>-</u>	<u>117,528</u>
Total expenses	<u>1,548,232</u>	<u>-</u>	<u>1,548,232</u>
CHANGE IN NET ASSETS	38,276	(191,335)	(153,059)
NET ASSETS, BEGINNING OF YEAR	<u>1,316,106</u>	<u>526,216</u>	<u>1,842,322</u>
NET ASSETS, END OF YEAR	<u>\$ 1,354,382</u>	<u>\$ 334,881</u>	<u>\$ 1,689,263</u>

See accompanying notes to financial statements and independent auditors' report.

CUMBERLAND RIVER COMPACT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	\$ (153,059)
Adjustments to reconcile decrease in net assets to net cash flows provided by operating activities:	
Depreciation	29,650
(Increase) decrease in operating assets:	
Promises to give	202,524
Grants receivable	(7,670)
Other receivables	4,949
Prepaid expenses	15,276
Increase (decrease) in operating liabilities:	
Accounts payable	181,955
Accrued payroll	(31,133)
Deferred lease liability	(1,209)
Other current liabilities	<u>1,347</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 242,630

CASH FLOWS FROM INVESTING ACTIVITIES

Increase in short term investments	(90)
Purchase of property and equipment	<u>(14,000)</u>

NET CASH USED BY INVESTING ACTIVITIES (14,090)

NET INCREASE IN CASH 228,540

BEGINNING CASH 1,192,095

ENDING CASH \$ 1,420,635

See accompanying notes to financial statements and independent auditors' report.

CUMBERLAND RIVER COMPACT, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Cumberland River Compact, Inc. (the "Organization") was incorporated under the laws of the State of Tennessee in the City of Nashville as a nonprofit organization in 1997. The Organization's mission is to enhance the health and enjoyment of the Cumberland River and its tributaries through education, collaboration and action. The Organization's revenue and support comes primarily from donations from individuals, foundations, and businesses, as well as from both government and private grants.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Board designated net assets is a subtype of unrestricted net assets. Board designated net assets are restricted for use, typically for long-term purposes, by the board. The board may remove the designation from its net assets at any time.

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as temporarily restricted net assets if the donor has restricted the use of the property or equipment to a particular program. If donors specify a length of time over which the property or equipment must be used, the restrictions expire evenly over the required period. Absent that type of restriction for use, the Organization considers the restriction met when the assets are placed in service. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The Organization has not recorded any permanently restricted net assets.

CUMBERLAND RIVER COMPACT, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments, with an original maturity when purchased of three months or less, to be cash and cash equivalents.

Pledges Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Accounting for Contributions

Contributions are recognized when received and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Accounts Receivable

The Organization considers accounts receivable to be fully collectible at year-end. Accordingly, no allowance for doubtful accounts has been recorded.

Grants Receivable

During the year ended March 31, 2018, the Organization had reimbursement-type state and federal government grants. Grants receivable at March 31, 2018 consisted primarily of costs incurred on reimbursable grants that had not yet been reimbursed to the Organization.

Investments

Investments consist of certificates of deposit with maturities on the dates of purchase exceeding three months. Certificates of deposit are valued at cost plus accrued interest, which approximates fair value due to the short-term nature of these investments.

CUMBERLAND RIVER COMPACT, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

Property and Equipment

Property and equipment are recorded at cost to the Organization, or, if donated, at the estimated fair market value at the date of donation. All depreciation is computed using the straight-line method based on the estimated useful life of the asset. Estimated useful lives are 10-39 years, 7 years, and 5 years for leasehold improvements, furniture, and computers and equipment, respectively. The Organization's policy is to capitalize any expenditure over \$2,500. Expenditures for repairs and maintenance are charged to operations when incurred.

Expense Allocation

The costs of providing program services and supporting services have been summarized on a functional basis in the schedule of functional expenses. Accordingly, certain costs have been allocated among program and supporting services based on actual or estimated time employees spend on each function.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

In-Kind Contributions and Expenses

During the year ended March 31, 2018, the Organization received in-kind contributions, valued at \$51,662, for public relations, education, and other services. These donated services are reflected in the statement of activities as in-kind contribution revenue. Donated services are included in related expense categories on the statement of activities or within property and equipment on the statement of financial position as appropriate.

Income Taxes

The Organization is a not-for-profit organization exempt from income taxes under section 501(c)(3) of the Internal Revenue Code, and is classified by the Internal Revenue Service as other than a private foundation as defined in Section 509(a) of the Internal Revenue Code. In accordance with GAAP, management evaluates the Organization's federal and state income tax regulatory filing positions to identify uncertain tax positions for consideration of whether to record an accrued liability or disclose a potential liability. Management has not identified any material uncertain tax positions that require financial statement recognition as of March 31, 2018. The Organization's federal and state income tax and regulatory filings are subject to examination by the applicable taxing or regulatory authority for the years ending March 31, 2016, 2017, and 2018 generally for a period of three years after the return is filed.

CUMBERLAND RIVER COMPACT, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

Change in Accounting Policy

In previous years' financial statements, the Organization reported general contributions due any time after the statement of financial position date as temporarily restricted for time. The Organization's policy has been restated to clarify that there should be no restriction for time unless a donor requires restrictions for time. As such, some amounts that had been previously reported as temporarily restricted net assets are now included in unrestricted net assets. These amounts comprise a portion of the "Net assets released from restriction" on the Statement of Activities for the year ended March 31, 2018.

Recent Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make certain improvements that address many, but not all, of the identified issues about the current financial reporting for not-for-profit entities. The standard improves current requirements related to net asset classifications, liquidity assessment, expense reporting consistency, and methods used to present cash flow from operations. This guidance is effective for fiscal years beginning after December 15, 2017.

The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements in future years.

NOTE B – CONCENTRATION OF CREDIT RISK

The Organization maintains its checking and savings accounts at one bank and a money market account at a separate bank. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank. Cash in bank deposit accounts, at times during the year, may exceed federally insured limits. At March 31, 2018, the Organization had \$243,129 in excess of FDIC insured limits.

NOTE C – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at March 31, 2018 consist of various grants restricted by the grantors, both government and non-government, for use in the Organization's various programs, totaling \$334,881.

Net assets were released from donor restrictions during the year ended March 31, 2018 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

CUMBERLAND RIVER COMPACT, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE D – PROMISES TO GIVE

Promises to give recorded by the Organization are unconditional and are based on commitments made by corporate and individual donors, including board members. The amount due in less than one year includes amounts due prior to March 31, 2019 that remain unpaid as of March 31, 2018. These amounts are all expected to be fully realized. Pledges receivable at March 31, 2018 are due as follows:

Less than one year	\$ 79,279
One year to five years	<u>19,000</u>
Total promises to give	<u>\$ 98,279</u>

NOTE E – INVESTMENTS

Investments consist of two certificate of deposits: a \$50,351 certificate of deposit that matured on March 31, 2018, and a \$100,289 certificate of deposit that matured on May 3, 2018. Both certificates of deposit were subsequently renewed.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31, 2018:

Computers and equipment	\$ 63,332
Furniture	78,394
Leasehold improvements	83,895
Vehicles	14,000
Less accumulated depreciation	<u>(126,452)</u>
Property and equipment, net	<u>\$ 113,169</u>

Depreciation expense for the year ended March 31, 2018, is \$29,650.

CUMBERLAND RIVER COMPACT, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE G – DESCRIPTION OF LEASING ARRANGEMENTS

The Organization leases office facilities for its headquarters. The lease expired in July 2018 with an option to renew the lease for five additional years, which was exercised. Rent expense for the year ended March 31, 2018 totaled \$149,907. Future rental payments under this noncancelable operating lease, which contains an escalating rent clause, are as follows:

2019	\$	192,695
2020		197,739
2021		202,558
2022		208,520
2023		<u>123,727</u>
	\$	<u><u>925,239</u></u>

NOTE H – EMPLOYEE BENEFIT PLAN

In April 2016, the Organization adopted a simple 401(k) retirement plan that covers substantially all of its employees. The Organization has a discretionary option to match an eligible participant's compensation up to the maximum allowed by the Internal Revenue Service Code. and a discretionary option to make an additional profit-sharing contribution. There are no eligibility service requirements. The Organization's retirement contribution expense was \$12,115 for the year ended March 31, 2018.

NOTE I – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 11, 2019, the date which the financial statements were available to be issued. Subsequent to March 31, 2018, the Organization received \$751,797 to purchase credits for a new Stream Restoration In-Lieu Fee Program. This program, approved by the United States Army Corps of Engineers, is operated by the Organization, in which a company or group who wants to build or construct anything that could impact the Cumberland River basin would need to purchase credits held by the Organization. These funds are to be used to restore, enhance, and preserve ecological functions in areas affected by these permitted activities.

SUPPLEMENTARY SCHEDULE

CUMBERLAND RIVER COMPACT, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2018

	PROGRAM SERVICES									SUPPORTING SERVICES		
	<u>Planning</u>	<u>Outreach & Education</u>	<u>River Center</u>	<u>Restoration Projects</u>	<u>Stormwater Runoff</u>	<u>Green Infrastructure</u>	<u>Basin Connectivity</u>	<u>Agricultural Projects</u>	<u>Total Program Service</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Accounting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,295	\$ -	\$ 34,295
Bad debt expense	-	-	-	-	-	-	-	-	-	150	-	150
Conferences	125	125	-	-	2,379	-	-	949	3,578	-	-	3,578
Contract labor	161,556	10,704	2,073	237,763	4,471	500	35,972	1,009	454,048	45,259	20,479	519,786
Depreciation	-	-	-	-	-	-	-	-	-	29,650	-	29,650
Equipment rental	2,052	96	-	-	3,001	2,323	753	-	8,225	498	4,173	12,896
Fees	1,022	375	309	8,508	49	-	525	-	10,788	9,118	6,371	26,277
Furniture and buildout	-	-	255	-	-	-	-	-	255	8,258	-	8,513
Insurance	-	-	5,397	-	-	-	-	-	5,397	3,877	899	10,173
Maintenance and repairs	2,127	-	2,664	-	-	-	-	-	4,791	18,521	-	23,312
Marketing	5,434	4,576	1,600	-	8,843	284	1,317	-	22,054	47,460	17,961	87,475
Meetings	1,669	1,700	209	680	717	141	159	151	5,426	3,038	5,553	14,017
Payroll expenses	10,341	2,758	1,289	3,113	4,454	2,665	3,523	769	28,912	25,481	3,012	57,405
Payroll salaries and wages	138,179	36,312	17,050	39,330	59,498	35,018	45,037	9,482	379,906	40,531	39,549	459,986
Postage	400	1,188	-	189	212	94	378	94	2,555	757	1,900	5,212
Printing & publications	522	391	391	52	391	-	-	1,785	3,532	2,327	1,459	7,318
Professional development	-	-	-	600	-	-	-	-	600	1,045	-	1,645
Occupancy fees	-	40,410	40,410	-	-	-	-	-	80,820	69,087	-	149,907
Supplies	3,281	5,759	1,157	6,292	12,958	5,622	7,503	4,328	46,900	11,456	14,645	73,001
Telephone	982	795	499	686	296	491	787	491	5,027	1,764	-	6,791
Travel	2,047	886	-	467	3,439	1,688	1,241	570	10,338	114	1,527	11,979
Utilities	569	304	-	586	298	304	530	265	2,856	2,010	-	4,866
Total	<u>\$330,306</u>	<u>\$ 106,379</u>	<u>\$ 73,303</u>	<u>\$ 298,266</u>	<u>\$ 101,006</u>	<u>\$ 49,130</u>	<u>\$ 97,725</u>	<u>\$ 19,893</u>	<u>\$ 1,076,008</u>	<u>\$ 354,696</u>	<u>\$ 117,528</u>	<u>\$ 1,548,232</u>

See independent auditors' report.