

TENNESSEE ENVIRONMENTAL COUNCIL, INC.
(a nonprofit organization)
FINANCIAL STATEMENTS

FOR THE YEAR ENDING
DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Tennessee Environmental Council, Inc.
Nashville, Tennessee

Report on Financial Statements

We have audited the accompanying financial statement of Tennessee Environmental Council, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain 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 Tennessee Environmental Council, Inc. as of December 31, 2016, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Dempsey Vantrease + Follis PLLC

Murfreesboro, Tennessee
October 30, 2017

TENNESSEE ENVIRONMENTAL COUNCIL, INC
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

Current Assets	
Cash and Cash Equivalents-Unrestricted	\$ 37,163
Cash and Cash Equivalents-Restricted	72,474
Contracts Receivable	25,405
Investments	1,071
Prepaid Expenses	25,896
Total Current Assets	<u>162,009</u>
Property and Equipment	
Equipment	39,043
Furniture and Fixtures	10,553
	<u>49,596</u>
Less: Accumulated Depreciation	(36,095)
Net Property and Equipment	<u>13,501</u>
Total Assets	<u><u>\$ 175,510</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable and Accrued Expenses	\$ 46,068
Deferred Revenue	39,587
Total Current Liabilities	<u>85,655</u>
Net Assets	
Unrestricted	56,968
Temporarily Restricted	32,887
Total Net Assets	<u>89,855</u>
Total Liabilities and Net Assets	<u><u>\$ 175,510</u></u>

See accompanying notes to financial statements

TENNESSEE ENVIRONMENTAL COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Fundraising and Development	\$ 109,263	\$ -	\$ 109,263
Contract Services	98,373	-	98,373
Grant Revenue	147,314	74,500	221,814
Total Support & Revenue	<u>354,950</u>	<u>74,500</u>	<u>429,450</u>
Net Assets Released From Restrictions By Payments	<u>59,235</u>	<u>(59,235)</u>	<u>-</u>
Total Revenues & Other Additions	414,185	15,265	429,450
Expenses			
Operating			
Program Service:			
Ford Phase II Reforestation	52,663	-	52,663
Solid Waste Grant	62,616	-	62,616
Other Grant Expenses	159,898	-	159,898
Other Program Service	59,211	-	59,211
General and Administrative	10,295	-	10,295
Fundraising and Development	34,900	-	34,900
Total Operating	<u>379,583</u>	<u>-</u>	<u>379,583</u>
Non Operating			
Dividend Income	(15)	-	(15)
Interest Income	(48)	-	(48)
Unrealized Gain on Investment	<u>(97)</u>	<u>-</u>	<u>(97)</u>
Total Non Operating	<u>(160)</u>	<u>-</u>	<u>(160)</u>
Change In Net Assets	34,762	15,265	50,027
Net Assets - Beginning of Year	<u>22,206</u>	<u>17,622</u>	<u>39,828</u>
Net Assets - End of Year	<u><u>\$ 56,968</u></u>	<u><u>\$ 32,887</u></u>	<u><u>\$ 89,855</u></u>

See accompanying notes to financial statements

TENNESSEE ENVIRONMENTAL COUNCIL, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash Flows from Operating Activities

Change in Net Assets	\$ 50,027
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	3,623
Investment Income	(15)
Unrealized Gain on Investment	(97)
(Increase) Decrease in Current Assets	
Contracts Receivable	80,102
Prepaid Expenses	(25,896)
Increase (Decrease) in Current Liabilities	
Checks Written in Excess of Unrestricted Bank Balances	(14,469)
Accounts Payable and Accrued Expenses	34,648
Deferred Revenue	<u>(35,413)</u>
Net Cash Provided by Operating Activities	92,510
Cash Flows from Investing Activities	
Purchases of Property, Plant & Equipment	(480)
Reinvestment of Investment Income	(15)
Increase in Restricted Cash	<u>(54,852)</u>
Net Cash Used in Investing Activities	<u>(55,347)</u>
Net Increase in Cash	37,163
Cash - Beginning of Year	<u>-</u>
Cash - End of Year	<u><u>\$ 37,163</u></u>

See accompanying notes to financial statements

TENNESSEE ENVIRONMENTAL COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1 – Summary of Activities and Significant Accounting Policies

Nature of Activities

The Tennessee Environmental Council, Inc. (the organization) is a nonprofit corporation located in Nashville Tennessee. It is a 46 year old conservation organization incorporated to educate and advocate for the conservation and improvement of Tennessee's environment, communities and public health.

Basis of accounting

The accompanying financial statements of the Council have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Codification ASC 958, Not-for-Profit Entities. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that can be filled by actions of the Organization pursuant to those stipulations or that expire by the passage of time. It is the Organization's policy to recognize temporarily restricted revenues whose stipulations were satisfied in the same fiscal year as unrestricted revenues.

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 the assets for general or specific purposes.

TENNESSEE ENVIRONMENTAL COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

Note 1 – Summary of Activities and Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income tax status

Tennessee Environmental Council, Inc. is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. In addition, The Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization accounts for uncertainties in income tax law under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10. ASC 740-10 prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. ASC 740-10 requires that the tax effects of a position be recognized only if it is “more-likely-than-not” to be sustained by the taxing authority as of the reporting date. If the tax position is not considered “more-likely-than-not” to be sustained, then no benefits of the position are to be recognized. The Organization has no unrecognized tax benefits for any of the periods presented. To the extent applicable in the future, interest and penalties related to income tax liabilities will be included in pre-tax income as interest expense and tax penalties. At December 31, 2016, the organization’s tax returns related to fiscal years ended December 31, 2014 through December 31, 2016 remain open to examination by the tax authorities.

Cash and Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are defined as cash on hand and in money market saving accounts.

TENNESSEE ENVIRONMENTAL COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

Note 1 – Summary of Activities and Significant Accounting Policies (continued)

Property and equipment

Property and equipment are depreciated over the estimated useful lives of the respective classes of assets, or 5 years, using the straight-line method of depreciation. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Expenditures for repairs and maintenance are charged to expense as incurred, and additions and improvements that significantly extend the lives of the assets are capitalized at cost. Depreciation expense was \$3,623 for the year ended December 31, 2016.

Contract Receivable and Revenue from Construction Contracts

The amount reported for contract receivable is the estimated net collectible amount which is considered the fair value.

Revenues from construction contracts are recognized on the accrual method. This method is used because the financial position and results do not vary significantly from those which would result from use of the percentage of completion method. A contract is considered completed when all costs except insignificant items have been incurred and the installation is operating according to specifications or has been accepted by the customer.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance such as supplies, tools, taxes, etc. Operating costs (selling, general and administrative) are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, estimated profitability, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. These estimates are critical in relation to the Company's reported operations.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

TENNESSEE ENVIRONMENTAL COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

Note 1 – Summary of Activities and Significant Accounting Policies (continued)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted increases those net asset classes. If a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted. Otherwise, when a temporary 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. The organization had no permanently restricted net assets in 2016.

Donated Services & Facilities

The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The organization receives a significant amount of donated services from unpaid volunteers who assist in fund-raising, program services, and development. Contributed services of volunteers have not been recorded in the financial statements as they do not meet item (b) above. Contributed services meeting the above requirements are reflected in the financial statements at the fair value of the services received.

Note 2-Fair Value of Financial Instruments

Investments are stated at the readily determinable fair market value in accordance with ASC 320 based on quoted market prices (formally Statement of Financial Accounting Standard No. 124 Accounting for Certain Investments Held by Not for Profit Organizations). In addition ASC defines three approaches to measuring the fair value of assets and liabilities: the market approach, the income approach, and the cost approach. Each approach includes multiple valuation techniques. The standard does not prescribe which valuation technique should be used when measuring fair value, but does establish a fair value hierarchy that prioritizes the inputs used in applying the various techniques. Inputs broadly refer to the assumptions that market participants use to make pricing decisions, including assumptions about risk. Level 1 inputs are given highest priority in the hierarchy while level 3 inputs are given the lowest priority. All of the entities financial instruments are considered tier 1 inputs

TENNESSEE ENVIRONMENTAL COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

Note 2-Fair Value of Financial Instruments (continued)

as they are based on Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date.

Note 3 – Temporarily Restricted Net Assets

The temporarily restricted net asset is made up of the following at December 31, 2016:

JMMDonation	\$ 20,088
Water Initiative	7,500
MIEMC	<u>5,299</u>
	<u>\$ 32,887</u>

These funds are provided by various organizations to support specific programs and activities of the Organization. The restricted cash balance of \$72,474 is included on the Statement of Financial Position as Cash-Restricted. The restricted cash balance includes cash restricted by the terms of specific grants that are unearned at December 31, 2016.

Net assets released from restrictions amounted to \$59,235 for the year ended December 31, 2016.

Note 4 - Lease Obligations

The Organization leases office space from K&N Office Limited Partnership. The lease is set to expire during February 2019. The monthly payment was \$471 thru March of 2016 and is currently \$703. Total rental expense for the year ending December 31, 2016 was \$7,741. The minimum future lease obligation for the year ending December 31, 2017 and 2018 will be \$8,436 and will be \$1,406 for the year ending December 31, 2019.

Note 5 – Concentration of Credit Risk

The Organizations maintains its cash and savings accounts in a bank located in Tennessee. Deposits are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2016 the balances in the accounts were entirely covered by FDIC insurance.

TENNESSEE ENVIRONMENTAL COUNCIL, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

Note 6 - Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 30, 2017, the date the financial statements were available to be issued.



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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
Tennessee Environmental Council, Inc.
Nashville, Tennessee

We have audited the financial statements of Tennessee Environmental Council, Inc. as of and for the year ended December 31 2016, and have issued our report thereon dated October 30, 2017, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 14 is presented for the 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.

Dempsey Vantrease + Follis PLLC

Murfreesboro, Tennessee
October 30, 2017

TENNESSEE ENVIRONMENTAL COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Service						
	Ford Phase II Reforestation	Solid Waste Grant	Other Grant Expenses	Other Program Service	Fundraising and Development	General and Administrative	Total
Contract Labor	\$ 1,869	\$ 2,604	\$ 3,405	\$ 3,981	\$ 208	\$ 612	\$ 12,679
Credit Card Fees	-	-	-	103	-	-	103
Depreciation Expense	-	-	-	3,623	-	-	3,623
Event Venue	-	-	-	-	2,648	-	2,648
Food & Entertainment	374	32	532	1,715	4,775	-	7,428
Office Supplies	89	-	310	196	22	137	754
Salaries, benefits and taxes	31,607	19,210	99,412	29,095	20,913	1,812	202,049
Development	-	-	-	-	-	3,830	3,830
Professional Fees	2,414	40,287	11,164	1,844	916	696	57,321
Travel	1,971	63	3,940	4,882	1,083	225	12,164
Service Fees	175	-	-	1,204	395	-	1,774
Communications	1,985	-	3,918	2,159	483	518	9,063
Rent	844	-	4,605	597	174	1,521	7,741
Repairs and maintenance	-	-	1,417	443	53	468	2,381
Supplies	7,852	420	23,110	1,676	2,463	14	35,535
Insurance	3,483	-	8,085	7,693	767	462	20,490
	<u>\$ 52,663</u>	<u>\$ 62,616</u>	<u>\$ 159,898</u>	<u>\$ 59,211</u>	<u>\$ 34,900</u>	<u>\$ 10,295</u>	<u>\$ 379,583</u>

See accompanying notes to financial statements