

CUMBERLAND RIVER COMPACT, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

MARCH 31, 2014

CUMBERLAND RIVER COMPACT, INC.
Financial Statements
MARCH 31, 2014

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5-10



CPA for the Not-For-Profit Sector

1009 Harding Trace Court Nashville, TN 37221
phone 615-673-7307 cell 615-479-4770 kim@thomasonfinancial.com

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Cumberland River Compact, Inc. as of March 31, 2014, and the related statement 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 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 consolidated 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, 2014, 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.

Thomason Financial Resources
July 31, 2014

CUMBERLAND RIVER COMPACT, INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2014

ASSETS

Current Assets

Cash	\$ 535,965
Pledges receivable	74,000
Grants receivable	32,744
Other receivables	10,070
Investments	50,000
Deposits	9,027
Prepaid expenses	17,988
Total current assets	<u>729,794</u>

Noncurrent Assets

Pledges receivable	80,100
Property and Equipment	
Leasehold improvements	73,407
Furniture	67,394
Computers and equipment	38,025
	<u>178,826</u>
Less: accumulated depreciation	(18,605)
Total property and equipment	<u>160,221</u>
Total noncurrent assets	<u>240,321</u>
Total assets	<u><u>\$ 970,115</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 51,014
Deferred revenue	30,925
Total current liabilities	<u>81,939</u>

Net Assets

Unrestricted	786,497
Temporarily Restricted	101,679
Total net assets	<u>888,176</u>
Total liabilities and net assets	<u><u>\$ 970,115</u></u>

The accompanying notes are an integral part of these financial statements

CUMBERLAND RIVER COMPACT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Public support:			
Contributions	\$ 575,123	\$ -	\$ 575,123
Government grant income	58,988	-	58,988
Other grant income	29,915	75,000	104,915
In-kind contributions	28,810	-	28,810
Special event revenue:			
Revenue	106,381	-	106,381
Less direct costs	(81,663)	-	(81,663)
Net revenue from special events	24,718	-	24,718
Total public support	717,554	75,000	792,554
Other revenue:			
Program service fees	160,370	-	160,370
River workshop fees	26,729	-	26,729
Interest income	453	-	453
Total other revenue	187,552	-	187,552
Net assets released from restrictions	22,304	(22,304)	-
Total public support and other revenue	927,410	52,696	980,106
Expenses			
River Center	183,281	-	183,281
Building outside the box	39,091	-	39,091
Watershed	95,521	-	95,521
Project blue streams	110,541	-	110,541
Total program services	428,434	-	428,434
Fundraising:			
Contract labor	8,623	-	8,623
Payroll	61,513	-	61,513
Supplies	27,190	-	27,190
Occupancy	11,643	-	11,643
Meetings	5,092	-	5,092
Printing and publications	4,225	-	4,225
Other	6,900	-	6,900
Total fundraising expenses	125,186	-	125,186
Management and general:			
Accounting	16,364	-	16,364
Occupancy	25,668	-	25,668
Payroll	49,539	-	49,539
Depreciation	13,998	-	13,998
Insurance	3,646	-	3,646
Printing and publications	4,749	-	4,749
Contract labor	2,012	-	2,012
Supplies	3,909	-	3,909
Other	5,735	-	5,735
Total management and general	125,620	-	125,620
Total expenses	679,240	-	679,240
Change in net assets	248,170	52,696	300,866
Net assets at beginning of year	538,327	48,983	587,310
Net assets at end of year	\$ 786,497	\$ 101,679	\$ 888,176

The accompanying notes are an integral part of these financial statements

CUMBERLAND RIVER COMPACT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014

Cash Flows From Operating Activities:

Change in net assets	\$ 300,866
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	13,998
Changes in operating assets and liabilities:	
Pledges receivable	3,470
Grants receivable	(8,903)
Other receivables	(4,046)
Prepaid expenses	(9,936)
Accounts payable	38,204
Deferred revenue	(31,889)
Net cash provided by operating activities	<u>301,764</u>

Cash Flows From Investing Activities:

Purchases of property and equipment	(157,641)
Purchases of investments	(50,000)
Net cash used in investing activities	<u>(207,641)</u>
 Net increase in cash and cash equivalents	 94,123
Cash at beginning of year	441,842
Cash at end of year	<u><u>\$ 535,965</u></u>

Supplemental schedule of noncash operating activities:

In-kind contributions of public relation services	<u>\$ 28,810</u>
---	------------------

The accompanying notes are an integral part of these financial statements

CUMBERLAND RIVER COMPACT, INC.

Notes to Financial Statements

March 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Cumberland River Compact, Inc. (the “Organization”) is a nonprofit organization incorporated in 1997 and located in Nashville, Tennessee. 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 income comes primarily from donations from individuals, foundations and companies as well as from government grants 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 – net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the statement of activities as unrestricted. When a restriction expires in a period after the contributions are received, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The amount for each of these classes of net assets is displayed in the statement of financial position and the amount of change in each class of net assets is displayed in the statement of activities. There were no permanently restricted net assets as of March 31, 2014.

Cash and Cash Equivalents

For purposes of the Statements 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. At March 31, 2014, the Organization had no cash equivalents.

CUMBERLAND RIVER COMPACT, INC
Notes to Financial Statements
March 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. 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, 2014, the Organization had 6 reimbursement-type state and federal government grants. Grants receivable at March 31, 2014, consisted primarily of costs incurred on reimbursable grants that had not yet been reimbursed to the Organization.

Investments

Investments are stated at fair market value. Unrealized gains and losses as well as appreciation or depreciation in market value are reflected in the accompanying financial statements.

CUMBERLAND RIVER COMPACT, INC
Notes to Financial Statements
March 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 years, 7 years, and 5 years for leasehold improvements, furniture, and computers and equipment, respectively.

The Organization's capitalization policy is to capitalize any expenditure over \$500. Expenditures for repairs and maintenance are charged to operations when incurred. Depreciation expense amounted to \$13,998, for the year ended March 31, 2014.

Expense Allocation

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities. 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, 2014, the Organization received donated services in the amount of \$28,810 for public relations services. These donated services are properly reflected in the statement of activities as in-kind contributions revenue and related marketing expenses at the fair value at the date of receipt.

Deferred Revenue

Program fees collected in advance of being earned have been included in the statement of financial position as deferred revenue. Such deferred revenue is recognizable within at least one year.

CUMBERLAND RIVER COMPACT, INC
Notes to Financial Statements
March 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Income Taxes

The Organization is a nonprofit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code, and the Organization is classified as an organization that is not 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, 2014. The Organization's federal and state income tax and regulatory filings are subject to examination by the applicable taxing or regulatory authority generally for a period of three years after a return is filed. As of March 31, 2014, management considers the Organization's open tax years to include the returns filed for 2011, 2012, and 2013, as well as the returns that will be filed for 2014.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable recorded for the Organization are unconditional promises to give and are based on commitments made by corporate and individual donors, including board members. In 2013, the Organization launched a campaign, "Expansion Campaign", to raise funds to support general operations. This campaign was continued during year ended March 31, 2014. As such, pledges received from this campaign are unrestricted donations. Pledges receivable at March 31, 2014 are due as follows:

Less than 1 year	\$274,000
1 year to 5 years	<u>80,100</u>
	<u>\$354,100</u>

As a result of this campaign, the Organization recognized and recorded a few significant expenditures in 2014 including \$136,236 for public relations services.

NOTE 3 – INVESTMENTS

On March 31, 2014, the Organization purchased a twelve-month term Certificate of Deposit for \$50,000 with a .4% interest rate. The Certificate of Deposit is renewed each twelve months with a current maturity date of March 31, 2015.

CUMBERLAND RIVER COMPACT, INC
Notes to Financial Statements
March 31, 2014

NOTE 4 – COMMITMENTS AND CONTINGENCIES

The Organization leases office facilities for its headquarters. Lease expires in August 2019. Rent expense for the year ended March 31, 2014 totaled \$76,675 respectively.

Future rental payments under noncancellable operating leases are as follows:

Rents	
2015	110,961
2016	114,283
2017	117,689
2018	121,231
2019	<u>40,809</u>
	<u>\$ 504,973</u>

NOTE 5 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at March 31, 2014 for the following purposes:

	<u>2014</u>
Water For Metro Schools Project	\$ 29,429
Dam Removal	25,000
Street trees supplies	<u>47,250</u>
	<u>\$ 101,679</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2014</u>
Water For Metro Schools Project	\$ 5,571
Street trees supplies	2,750
Rain Gardens	<u>13,983</u>
	<u>\$ 22,304</u>

CUMBERLAND RIVER COMPACT, INC
Notes to Financial Statements
March 31, 2014

NOTE 6 – SUBSEQUENT EVENT

The Organization evaluated subsequent events through July 31, 2014, the issuance of the Organization's financial statements. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.