

CUMBERLAND RIVER COMPACT, INC.

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

MARCH 31, 2012

CUMBERLAND RIVER COMPACT, INC.
Financial Statements
MARCH 31, 2012

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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, 2012, and the related statement of activities, 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. 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 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 Cumberland River Compact, Inc. as of March 31, 2012, 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

June 25, 2012

CUMBERLAND RIVER COMPACT, INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2012

ASSETS

Current Assets

Cash	\$ 143,930
Grants receivable	24,590
Other receivables	10,435
Prepaid expenses	2,554
Total current assets	<u>\$ 181,509</u>

Property and Equipment

Office furniture	10,000
Computers and equipment	36,423
	<u>46,423</u>
Less: accumulated depreciation	<u>(42,875)</u>
Total property and equipment	<u>3,548</u>

Total assets	<u><u>\$ 185,057</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accrued liabilities	\$ 5,682
Deferred revenue	72,791
Total current liabilities	<u>78,473</u>

Net Assets

Unrestricted	57,601
Temporarily Restricted	48,983
Total net assets	<u>106,584</u>
Total liabilities and net assets	<u><u>\$ 185,057</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, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Public support:			
Government grant income	\$ 73,826	\$ -	\$ 73,826
Other grant income	26,815	50,000	76,815
Contributions	81,288	-	81,288
In-kind contributions	255	-	255
Special event revenue:			
Revenue	80,338	-	80,338
Less direct costs	(50,057)	-	(50,057)
Net revenue from special events	30,281	-	30,281
Total public support	212,465	50,000	262,465
Other revenue:			
Program service fees	120,833	-	120,833
Interest income	74	-	74
Total other revenue	120,907	-	120,907
Net assets released from restrictions	1,017	(1,017)	-
Total public support and other revenue	334,389	48,983	383,372
Expenses			
Building outside the box	52,568	-	52,568
Watershed	47,322	-	47,322
Local officials	77,948	-	77,948
Project blue streams	78,212	-	78,212
Total program services	256,050	-	256,050
Fundraising:			
Payroll	1,513	-	1,513
Supplies	3,370	-	3,370
Marketing	2,069	-	2,069
Printing and publications	2,493	-	2,493
Other	3,120	-	3,120
Total fundraising expenses	12,565	-	12,565
Management and general:			
Accounting	9,740	-	9,740
Marketing	570	-	570
Fees	2,569	-	2,569
Payroll	38,381	-	38,381
Depreciation	4,101	-	4,101
Insurance	1,290	-	1,290
Contract labor	7,550	-	7,550
Supplies	1,779	-	1,779
Other	1,632	-	1,632
Total management and general	67,612	-	67,612
Total expenses	336,227	0	336,227
Change in net assets	(1,838)	48,983	47,145
Net assets at beginning of year	59,439	-	59,439
Net assets at end of year	\$ 57,601	\$ 48,983	\$ 106,584

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, 2012

Cash Flows From Operating Activities:

Change in net assets	\$ 47,145
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	4,101
Changes in operating assets and liabilities:	
Grants receivable	1,473
Other receivables	(3,240)
Prepaid expenses	7,622
Accounts payable	(4,631)
Deferred revenue	(6,871)
	<hr/>
Net cash provided by operating activities	45,599
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Net increase in cash and cash equivalents	45,599
Cash at beginning of year	98,331
Cash at end of year	<u><u>\$ 143,930</u></u>

Supplemental schedule of noncash operating activities:

In-kind contributions of program supplies	\$ 255
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The accompanying notes are an integral part of these financial statements

CUMBERLAND RIVER COMPACT, INC.
Notes to Financial Statements
March 31, 2012

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 water quality of the Cumberland River and its tributaries through education and promotion of cooperation among citizens, businesses, and agencies in Tennessee and Kentucky. The Organization’s income comes primarily from government grants and private grants as well as from donations from individuals, foundations and companies.

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, 2012.

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, 2012, the Organization had no cash equivalents.

CUMBERLAND RIVER COMPACT, INC
Notes to Financial Statements
March 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Contributions

Contributions 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, 2012, the Organization had 8 reimbursement-type state and federal government grants. Grants receivable at March 31, 2012, consisted primarily of costs incurred on reimbursable grants that had not yet been reimbursed to the Organization.

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 as follows:
Office furniture and equipment – 5-7 years

The Organization's capitalization policy is to capitalize any expenditure over \$500 for any office furniture, computers and equipment purchased. Expenditures for repairs and maintenance are charged to operations when incurred. Depreciation expense amounted to \$4,101, for the year ended March 31, 2012.

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.

CUMBERLAND RIVER COMPACT, INC
Notes to Financial Statements
March 31, 2012

NOTE 1 – SUMMARY OF 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donated Services

During the year ended March 31, 2012, local vendors donated supplies for the Organization's projects in the amount of \$255. These donated project supplies are properly reflected in the statement of activities as in-kind contributions revenue and related supplies expense 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.

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. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

Financial Instruments

Financial accounting standards relating to fair value measurements establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 2 measurements). The three levels of the fair value hierarchy are described below:

CUMBERLAND RIVER COMPACT, INC
Notes to Financial Statements
March 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Instruments - continued

Level 1 – Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The Organization's financial instruments consist of grants receivable, other receivables, prepaids, accounts payable and deferred revenue. The recorded values of all the Organization's financial instruments approximate their fair values based on their short-term nature. While the Organization believes its valuation methodologies are appropriate and consistent with that of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

NOTE 2 – GRANTS RECEIVABLE

Grants receivable consist of the following at March 31, 2012:

World Wildlife Fund	\$20,000
Department of Agriculture	2,595
Various Federal and State Grants	<u>1,995</u>
	<u>\$24,590</u>

CUMBERLAND RIVER COMPACT, INC
Notes to Financial Statements
March 31, 2012

NOTE 3 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at March 31, 2011 for the following purposes:

	<u>2011</u>
Water For Metro Schools Project	\$ 20,000
Rain Gardens	<u>28,983</u>
	<u>\$ 48,983</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>2011</u>
Rain Gardens	<u>\$ 1,017</u>

NOTE 4 – SUBSEQUENT EVENT

The Organization evaluated subsequent events through June 25, 2012, the issuance of the Organization's financial statements.