

CUMBERLAND RIVER COMPACT, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2015

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, 2015, 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 audits. We conducted our audits 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 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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Matter

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 11 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
July 31, 2015

CUMBERLAND RIVER COMPACT, INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2015

ASSETS

CURRENT ASSETS

Cash	\$ 762,773
Short-term investments	150,200
Promises to give, due within one year	249,875
Grants receivable	23,895
Other receivables	8,161
Deposits	9,027
Prepaid expenses	<u>16,187</u>

Total current assets	<u>1,220,118</u>
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PROPERTY AND EQUIPMENT, NET	<u>162,054</u>
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PROMISES TO GIVE - DUE IN MORE THAN ONE YEAR	<u>370,884</u>
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Total assets	<u><u>\$ 1,753,056</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 3,565
Deferred revenue	34,406
Deferred lease liability	9,022
Other current liabilities	<u>2,341</u>

Total current liabilities	<u>49,334</u>
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NET ASSETS

Unrestricted	1,018,005
Unrestricted - board designated	50,000
Temporarily restricted	<u>635,717</u>

Total net assets	<u>1,703,722</u>
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Total liabilities and net assets	<u><u>\$ 1,753,056</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, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Contributions	\$ 547,428	\$ 590,416	\$ 1,137,844
Government grants	178,704	-	178,704
Other grants	1,070	-	1,070
In-kind contributions	23,604	-	23,604
Special events, net of direct costs of \$61,139	57,002	-	57,002
Membership	31,960	-	31,960
Program service fees	163,969	-	163,969
River workshop fees	32,484	-	32,484
Interest income	1,246	-	1,246
Net assets release from restriction	<u>56,378</u>	<u>(56,378)</u>	<u>-</u>
Total revenue and other support	<u>1,093,845</u>	<u>534,038</u>	<u>1,627,883</u>
EXPENSES			
Program services	575,841	-	575,841
Management and general	126,848	-	126,848
Fundraising	<u>109,648</u>	<u>-</u>	<u>109,648</u>
Total expenses	<u>812,337</u>	<u>-</u>	<u>812,337</u>
CHANGE IN NET ASSETS	281,508	534,038	815,546
NET ASSETS, BEGINNING OF YEAR	<u>786,497</u>	<u>101,679</u>	<u>888,176</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,068,005</u></u>	<u><u>\$ 635,717</u></u>	<u><u>\$ 1,703,722</u></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, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 815,546
Adjustments to reconcile increase in net assets to net cash flows provided by operating activities:	
Depreciation	25,820
In-kind contributions of property and equipment	(6,000)
(Increase) decrease in operating assets:	
Promises to give	(466,659)
Grants receivable	8,848
Other receivables	1,909
Prepaid expenses	1,802
Increase (decrease) in operating liabilities:	
Accounts payable	(47,449)
Deferred revenue	3,481
Deferred lease liability	9,022
Other current liabilities	<u>2,341</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>348,661</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(21,653)
Purchase of investments	<u>(100,200)</u>

NET CASH USED BY INVESTING ACTIVITIES	<u>(121,853)</u>
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NET INCREASE IN CASH	226,808
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BEGINNING CASH	<u>535,965</u>
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ENDING CASH	<u><u>\$ 762,773</u></u>
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Supplemental schedule of noncash operating activities:

In-kind contributions of services:	<u><u>\$ 17,604</u></u>
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See accompanying notes to financial statements and independent auditors' report.

CUMBERLAND RIVER COMPACT, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

NOTE 1 - 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 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 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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2015, the Organization had reimbursement-type state and federal government grants. Grants receivable at March 31, 2015, 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, 2015

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 10-39 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.

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, 2015, the Organization received in-kind contributions, valued at \$23,604, for public relations, education, and other services. These donated services are reflected in the statement of activities as in-kind contributions 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.

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 one year.

CUMBERLAND RIVER COMPACT, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

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, 2015. 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, 2012, 2013, 2014, and 2015 generally for a period of three years after a return is filed.

Subsequent Events

Management has evaluated subsequent events through July 31, 2015, the date the financial statements were available to be issued.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at one bank. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. Cash in bank deposit accounts, at times during the year, may exceed federally insured limits. At March 31, 2015, the Organization had \$512,773 in excess of FDIC insured limits.

NOTE 3 - PROMISES TO GIVE

Promises to give recorded for the Organization are unconditional and are based on commitments made by corporate and individual donors, including board members. In 2013, the Organization launched the "Expansion Campaign" to raise funds to support general operations. This campaign was continued during year ended March 31, 2015. As such, pledges received from this campaign are unrestricted donations. Pledges receivable at March 31, 2015 are due as follows:

Less than one year	\$ 249,875
One year to five years	<u>370,884</u>
Total promises to give	<u>\$ 620,759</u>

CUMBERLAND RIVER COMPACT, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

NOTE 4 - INVESTMENTS

Investments consist of two certificate of deposits: a \$50,200 certificate of deposit maturing on March 31, 2016, and a \$100,000 certificate of deposit maturing on November 3, 2015.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31, 2015:

Computers and equipment	\$ 46,340
Furniture	78,394
Leasehold improvements	81,745
Less accumulated depreciation	<u>(44,425)</u>
Property and equipment, net	<u>\$ 162,054</u>

Depreciation expense for the year ended March 31, 2015, is \$25,820.

NOTE 6 - LEASES

The Organization leases office facilities for its headquarters. The lease expires in July 2018 with an option to renew the lease for five additional years. Rent expense for the year ended March 31, 2015 totaled \$121,218. Future rental payments under noncancelable operating leases are as follows:

2016	\$ 114,283
2017	117,689
2018	121,231
2019	<u>40,809</u>
	<u>\$ 394,012</u>

CUMBERLAND RIVER COMPACT, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2015

NOTE 7 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at March 31, 2015 for the following purposes:

Water for Metro Schools Project	\$ 6,963
Street trees supplies	33,424
Seven Mile Dam removal	<u>4,914</u>
	<u>\$ 45,301</u>

Promises to give with due dates after March 31, 2015, total \$590,416, and are considered time restricted.

Net assets at March 31, 2015, restricted for either time or purpose total \$635,717.

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:

Water for Metro Schools Project	\$ 22,466
Street trees supplies	13,826
Seven Mile Dam removal	<u>20,086</u>
	<u>\$ 56,378</u>

SUPPLEMENTARY SCHEDULE

**CUMBERLAND RIVER COMPACT, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2015**

	PROGRAM SERVICES					SUPPORTING SERVICES				
	Planning	Outreach & Education	River Center	Restoration Projects	Stormwater Runoff	Total Program Service	Administration	Fundraising	Total Supporting Services	Total Expenses
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Accounting	-	-	-	-	-	-	22,377	-	22,377	22,377
Conferences	450	-	-	1,500	-	1,950	299	750	1,049	2,999
Contract labor	4,099	20,598	105	119,816	3,427	148,045	4,480	1,103	5,583	153,628
Depreciation	-	-	-	-	-	-	25,820	-	25,820	25,820
Equipment rental	-	-	-	-	460	460	-	-	-	460
Fees	13	-	-	981	175	1,169	5,161	400	5,561	6,730
Furniture and buildout	-	-	-	-	-	-	310	-	310	310
Insurance	479	-	5,321	957	957	7,714	2,683	-	2,683	10,397
Maintenance and repairs	-	132	3,561	-	-	3,693	1,307	51	1,358	5,051
Marketing	4,631	19,067	710	4,722	678	29,808	(10,589)	12,414	1,825	31,633
Meetings	144	6,107	1,409	244	527	8,431	2,796	3,817	6,613	15,044
Payroll expenses	6,838	1,460	1,264	4,740	2,579	16,881	1,577	4,436	6,013	22,894
Payroll salaries and wages	89,382	19,080	16,521	61,969	33,705	220,657	20,642	57,993	78,635	299,292
Postage	-	802	-	148	-	950	595	596	1,191	2,141
Printing and publications	2,675	5,031	-	485	82	8,273	2,427	6,514	8,941	17,214
Professional development	1,380	624	-	1,265	20	3,289	347	-	347	3,636
Rent	-	2,500	83,221	-	-	85,721	35,497	-	35,497	121,218
Supplies	523	1,550	2,596	2,573	22,260	29,502	5,094	19,090	24,184	53,686
Telephone	-	898	69	2,191	182	3,340	5,233	69	5,302	8,642
Travel	763	632	9	1,654	1,566	4,624	272	-	272	4,896
Utilities	-	-	1,334	-	-	1,334	520	2,415	2,935	4,269
Total	111,377	78,481	116,120	203,245	66,618	575,841	126,848	109,648	236,496	812,337

See independent auditors' report.