

CUMBERLAND RIVER COMPACT, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
MARCH 31, 2017

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, 2017, 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, 2017, 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 29, 2018

CUMBERLAND RIVER COMPACT, INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2017

ASSETS

CURRENT ASSETS

Cash	\$ 1,192,095
Short-term investments	150,550
Promises to give, due within one year	227,202
Grants receivable	122,630
Other receivables	6,850
Deposits	9,027
Prepaid expenses	<u>30,050</u>

Total current assets	<u>1,738,404</u>
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PROPERTY AND EQUIPMENT, NET	<u>128,820</u>
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PROMISES TO GIVE - DUE IN MORE THAN ONE YEAR	<u>73,600</u>
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Total assets	<u><u>\$ 1,940,824</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 53,879
Accrued payroll	31,133
Deferred lease liability	8,044
Other current liabilities	<u>5,446</u>

Total current liabilities	<u>98,502</u>
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NET ASSETS

Unrestricted	1,266,106
Unrestricted - board designated	50,000
Temporarily restricted	<u>526,216</u>

Total net assets	<u>1,842,322</u>
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Total liabilities and net assets	<u><u>\$ 1,940,824</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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Contributions	\$ 104,740	\$ 21,142	\$ 125,882
Government grants	-	180,338	180,338
Other grants	-	243,596	243,596
In-kind contributions	27,008	-	27,008
Special events, net of direct costs of \$75,460	39,946	-	39,946
Membership	28,935	-	28,935
Program service fees	279,273	-	279,273
River workshop fees	52,792	-	52,792
Interest income	730	-	730
Other income(loss)	(473)	-	(473)
Net assets released from restriction	<u>459,569</u>	<u>(459,569)</u>	<u>-</u>
Total revenue and other support	<u>992,520</u>	<u>(14,493)</u>	<u>978,027</u>
EXPENSES			
Program services	706,719	-	706,719
Management and general	261,589	-	261,589
Fundraising	<u>63,188</u>	<u>-</u>	<u>63,188</u>
Total expenses	<u>1,031,496</u>	<u>-</u>	<u>1,031,496</u>
CHANGE IN NET ASSETS	(38,976)	(14,493)	(53,469)
NET ASSETS, BEGINNING OF YEAR	1,500,011	395,780	1,895,791
PRIOR PERIOD ADJUSTMENT	<u>(144,929)</u>	<u>144,929</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 1,316,106</u>	<u>\$ 526,216</u>	<u>\$ 1,842,322</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, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	\$ (53,469)
Adjustments to reconcile decrease in net assets to net cash flows provided by operating activities:	
Depreciation	28,082
Loss on disposition of fixed assets	471
(Increase) decrease in operating assets::	
Promises to give	244,386
Grants receivable	31,840
Other receivables	(780)
Prepaid expenses	(15,739)
Increase (decrease) in operating liabilities:	
Accounts payable	41,559
Accrued payroll	31,133
Deferred revenue	(94,154)
Deferred lease liability	(2,192)
Other current liabilities	<u>4,138</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>215,275</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Increase in short term investments	<u>(125)</u>
Purchase of property and equipment	<u>(18,239)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(18,364)</u>

NET INCREASE IN CASH	196,911
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BEGINNING CASH	<u>995,184</u>
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ENDING CASH	<u><u>\$ 1,192,095</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, 2017

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, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017, the Organization had reimbursement-type state and federal government grants. Grants receivable at March 31, 2017, 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, 2017

NOTE A – 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 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, 2017, the Organization received in-kind contributions, valued at \$27,008, 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, 2017. 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, 2015, 2016, and 2017 generally for a period of three years after the return is filed.

CUMBERLAND RIVER COMPACT, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

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, 2017, the Organization had \$692,024 in excess of FDIC insured limits.

NOTE C – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at March 31, 2017 for the following purposes:

Government and other grants	\$ 224,574
Net assets restricted for time	<u>301,642</u>
Total	<u>\$ 526,216</u>

Promises to give with due dates after March 31, 2017 are considered time restricted.

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

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. In 2013, the Organization launched the "Expansion Campaign" to raise funds to support general operations. This campaign was continued during year ended March 31, 2017. As such, pledges received from this campaign are unrestricted donations once any time restrictions have been met. The amount due in less than one year includes amounts due prior to March 31, 2017 that remain unpaid as of that date. These amounts are expected to be fully realized. Pledges receivable at March 31, 2017 are due as follows:

Less than one year	\$ 227,202
One year to five years	<u>73,600</u>
Total promises to give	<u>\$ 300,802</u>

NOTE E – INVESTMENTS

Investments consist of two certificate of deposits: a \$50,300 certificate of deposit maturing on March 31, 2018, and a \$100,249 certificate of deposit maturing on May 3, 2017. Both certificates of deposit were subsequently renewed.

CUMBERLAND RIVER COMPACT, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31, 2017:

Computers and equipment	\$ 63,332
Furniture	78,394
Leasehold improvements	83,895
Less accumulated depreciation	<u>(96,801)</u>
Property and equipment, net	<u>\$ 128,820</u>

Depreciation expense for the year ended March 31, 2017, is \$28,082.

NOTE G – DESCRIPTION OF LEASING ARRANGEMENTS

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, 2017 totaled \$116,918. Future rental payments under noncancelable operating leases are as follows:

2018	\$ 121,231
2019	<u>40,809</u>
	<u>\$ 162,040</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 \$11,556 for the year ended March 31, 2017.

NOTE I – PRIOR PERIOD ADJUSTMENT

Temporarily restricted net assets have been increased as of the beginning of the year to accurately reflect the nature of restrictions. There are time restrictions on the pledges the Organization received, which determined the net assets to be classified as temporarily restricted.

CUMBERLAND RIVER COMPACT, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2017

NOTE J – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 29, 2018, the date which the financial statements were available to be issued. No events that would require disclosure have occurred.

**CUMBERLAND RIVER COMPACT, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2017**

	Planning	Outreach & Education	River Center	Restoration Projects	Stormwater Runoff	Green Infrastructure	Basin Connectivity	Total Program Service	Administration	Fundraising	Total Supporting Services	Total Expenses
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Accounting	-	-	-	-	-	-	-	-	30,608	-	30,608	30,608
Bad debt expense	-	-	-	-	-	-	-	-	1,000	-	1,000	1,000
Conferences	-	200	-	-	2,750	-	-	2,950	1,450	250	1,700	4,650
Contract labor	36,088	7,663	3,935	54,585	2,470	-	88,754	193,495	19,211	1,174	20,385	213,880
Depreciation	-	-	-	-	-	-	-	-	28,082	-	28,082	28,082
Employee benefits	-	-	-	-	-	-	-	-	11,556	-	11,556	11,556
Equipment rental	-	-	5,914	-	-	-	-	5,914	427	-	427	6,341
Fees	303	76	56	-	343	-	1,100	1,878	8,612	1,106	9,718	11,596
Insurance	-	-	5,400	-	673	-	337	6,410	7,207	-	7,207	13,617
Maintenance and repairs	-	-	3,757	-	375	-	-	4,132	13,724	-	13,724	17,856
Marketing	-	2,733	3,704	-	316	-	-	6,753	1,669	258	1,927	8,680
Meetings	584	53	166	66	283	-	63	1,215	2,970	1,418	4,388	5,603
Payroll expenses	7,954	3,439	1,585	1,515	6,199	1,047	3,190	24,929	3,757	3,635	7,392	32,321
Payroll salaries and wages	100,617	44,948	20,719	23,161	81,029	13,682	41,699	325,855	80,255	47,516	96,638	453,626
Postage	423	249	-	5	102	-	35	814	845	2,248	3,093	3,907
Printing and publication	544	562	442	-	681	-	-	2,229	1,107	2,734	3,841	6,070
Professional development	-	-	-	-	-	-	-	-	450	100	550	550
Rent	-	39,894	39,323	-	-	-	-	79,217	37,702	-	37,702	116,919
Supplies	1,941	6,696	3,094	1,183	19,169	-	238	32,321	5,401	2,517	7,918	40,239
Telephone	1,029	1,086	415	764	1,185	515	1,029	6,023	3,987	-	3,987	10,010
Travel	3,466	237	16	1,206	3,482	160	531	9,098	794	232	1,026	10,124
Utilities	775	387	-	387	775	387	775	3,486	775	-	775	4,261
Total	\$ 153,724	\$ 108,223	\$ 88,526	\$ 82,872	\$ 119,832	\$ 15,791	\$ 137,751	\$ 706,719	\$ 261,589	\$ 63,188	\$ 293,644	\$ 1,031,496

See independent auditors' report.