

TENNESSEE CITY MANAGEMENT ASSOCIATION

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Tennessee City Management Association

We have audited the accompanying statement of financial position of Tennessee City Management Association (a nonprofit organization) as of June 30, 2012 and the related statements of activities, functional expenses, 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 Tennessee City Management Association as of June 30, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of budget compared to actual 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 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.

Ingram, Overholt & Bean, P.C.

TENNESSEE CITY MANGEMENT ASSOCATION
Statement of Financial Position
For the Fiscal Year Ended June 30, 2012

ASSETS

Cash – Operating Account	\$ 33,575
Cash – Money Market Account	<u>26,994</u>
Total Assets	<u>\$ 60,569</u>

LIABILITIES AND NET ASSETS

Liabilities	\$ -
Net Assets:	
Unrestricted	57,479
Temporarily restricted	<u>3,090</u>
Total Liabilities and Net Assets	<u>\$ 60,569</u>

See accompanying independent auditor's report and notes.

TENNESSEE CITY MANAGEMENT ASSOCIATION

Statement of Activities

For the Fiscal Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT:			
Membership dues	\$ 23,581	\$ -	\$ 23,581
Conference Registration Fees	33,200	-	33,200
Conference Sponsorships	16,950	-	16,950
Golf Fees and Sponsorships	-	3,090	3,090
Interest Earned	<u>14</u>	<u>-</u>	<u>14</u>
Total Revenues and Support	<u>73,745</u>	<u>3,090</u>	<u>76,835</u>
FUNCTIONAL EXPENSES:			
Program Services	65,167	-	65,167
Management and General	<u>7,551</u>	<u>-</u>	<u>7,551</u>
	<u>72,718</u>	<u>-</u>	<u>72,718</u>
Change in Net Assets	1,027	3,090	4,117
Beginning Net Assets	<u>56,452</u>	<u>-</u>	<u>56,452</u>
Ending Net Assets	<u>\$ 57,479</u>	<u>\$ 3,090</u>	<u>\$ 60,569</u>

See accompanying independent auditors' report and notes.

TENNESSEE CITY MANAGEMENT ASSOCIATION**Statement of Functional Expenses
For the Fiscal Year Ended June 30, 2012**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Executive Director	\$ 9,431	\$ 3,144	\$ 12,575
Director Expenses	6,091	-	6,091
Liability Insurance	-	1,706	1,706
Awards	213	-	213
Professional Services	-	2,701	2,701
Annual Business Meeting	1,062	-	1,062
Website	1,565	-	1,565
Copying/Postage	75	-	75
Miscellaneous	1,058	-	1,058
Conference Expenses:			
Hotel	9,659	-	9,659
Meals	26,534	-	26,534
Speakers	6,114	-	6,114
Supplies	1,307	-	1,307
ICMA Dinner	<u>2,058</u>	<u>-</u>	<u>2,058</u>
Total	<u>\$ 65,167</u>	<u>\$ 7,551</u>	<u>\$ 72,718</u>

See accompanying independent auditors' report and notes.

TENNESSEE CITY MANAGEMENT ASSOCIATION

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 4,117
BEGINNING CASH AND CASH EQUIVALENTS	<u>56,452</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 60,569</u>

See accompanying independent auditors' report and notes.

TENNESSEE CITY MANAGEMENT ASSOCIATION

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Tennessee City Management Association (TCMA) is a Tennessee non-profit professional association serving cities and other local governments in the State of Tennessee. The TCMA focuses on professional development. TCMA membership includes city managers and administrators and their principal assistants, in addition to representatives of the University of Tennessee Municipal Technical Advisory Services (MTAS). The purposes of the TCMA are to increase the proficiency of city managers and other local administrators, and to strengthen the quality of local government through professional management.

Basis of Accounting – The financial statements of the TCMA have been prepared on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when the resulting liability is incurred.

Basis of presentation – TCMA is required to report information regarding its financial position and activities according to the following three classes of net assets:

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 will be met either by action of TCMA and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by TCMA. Generally, the donors of these assets permit TCMA to use all or part of the income earned on related investments for general or specific purposes. TCMA did not have any permanently designated net assets at June 30, 2012.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, 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 these estimates.

Cash and cash equivalents – For purposes of the statements of cash flows, cash and cash equivalents are considered to be all unrestricted highly liquid investments with original maturities of three (3) months or less at the time of acquisition. At June 30, 2012, there were no cash equivalents.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending in the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, TCMA reports the support as unrestricted.

(Continued)

TENNESSEE CITY MANAGEMENT ASSOCIATION

Notes to Financial Statements For the Fiscal Year Ended June 30, 2012

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued) - Unconditional promises to give, including pledges recorded at estimated net realizable value, are recognized as revenues or gains in the period received as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Functional allocation of expenses – The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are allocated between management and the general and program expenses based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of TCMA.

Advertising – Advertising costs are expensed as incurred.

Income tax status – TCMA is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. Under this section, the Organization is exempt from income taxes on its non-business related income. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2010, 2011, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 2 – CASH

At June 30, 2012, cash (fully insured by the depository bank) is as follows:

Checking account	\$	33,575
Money Market account		26,994
	\$	<u>60,569</u>

NOTE 3 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets amounting to \$3,090 are available to fund the future 2019 International Convention.

NOTE 4 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2012, the date of the most recent financial statements, have been evaluated for possible adjustments to the financial statements or disclosures is February 18, 2013, which is the date on which the financial statements were issued.

SUPPLEMENTARY INFORMATION

TENNESSEE CITY MANAGEMENT ASSOCIATION

Schedule of Budget Compared to Actual For the Fiscal Year Ended June 30, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Revenues:			
Membership Dues	\$ 23,581	\$ 18,375	\$ 5,206
Conference Registration Fees	33,200	35,000	(1,800)
Conference Sponsorships	16,950	8,000	8,950
Golf Fees and Sponsorships	3,090	-	3,090
Interest	<u>14</u>	<u>50</u>	<u>(36)</u>
Total Revenues	<u>76,835</u>	<u>61,425</u>	<u>15,410</u>
Conference Expenses:			
Hotel Expenses	9,659	2,200	(7,459)
Meals	26,534	19,000	(7,534)
Speakers	6,114	5,000	(1,114)
Supplies	1,307	1,000	(307)
ICMA Dinner	2,058	2,000	(58)
SE Regional Summit	<u>-</u>	<u>500</u>	<u>500</u>
Total Conference Expenses	<u>45,672</u>	<u>29,700</u>	<u>(15,972)</u>
Other Expenses:			
Executive Director	12,575	12,000	(575)
Director Expenses	6,091	4,000	(2,091)
Liability Insurance	1,706	1,704	(2)
Auditor	-	2,500	2,500
Awards	213	300	87
Professional Services	2,701	2,000	(701)
Annual Business Meetings	1,062	1,300	238
Website	1,565	1,500	(65)
Copying/Postage	75	500	425
ICMA Image Campaign	-	1,000	1,000
Other	<u>1,058</u>	<u>4,000</u>	<u>2,942</u>
Total Other Expenses	<u>27,046</u>	<u>30,804</u>	<u>3,758</u>
Total Expenses	<u>72,718</u>	<u>60,504</u>	<u>(12,214)</u>
Revenues over expenditures	<u>\$ 4,117</u>	<u>\$ 921</u>	<u>\$ 3,196</u>

See accompanying independent auditors' report and notes.