

TENNESSEE CITY MANAGEMENT ASSOCIATION

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Tennessee City Management Association

We have audited the accompanying financial statements of Tennessee City Management Association (a nonprofit organization) which comprise the statement of financial position as of June 30, 2013 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.

Auditors' 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 Tennessee City Management Association as of June 30, 2013, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses and budget compared to actual on pages 7 – 8 are 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.

Ingram, Overholt & Bean, P.C.

Alcoa, Tennessee
August 12, 2013

TENNESSEE CITY MANGEMENT ASSOCATION

Statement of Financial Position
For the Fiscal Year Ended June 30, 2013

ASSETS

Cash – Operating Account	\$ 63,635
Cash – Convention Account	14,986
Cash – Certificate of Deposit	<u>27,007</u>
Total Assets	<u>\$ 105,628</u>

LIABILITIES AND NET ASSETS

Liabilities	\$ -
Net Assets:	
Unrestricted	105,628
Temporarily restricted	<u>-</u>
Total Liabilities and Net Assets	<u>\$ 105,628</u>

See accompanying independent auditor's report and notes.

TENNESSEE CITY MANAGEMENT ASSOCIATION

Statement of Activities For the Fiscal Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT:			
Membership dues	\$ 25,844	\$ -	\$ 25,844
Conference Registration Fees	37,710	-	37,710
Conference Sponsorships	32,400	-	32,400
Golf Fees and Sponsorships	7,300	-	7,300
Interest	15	-	15
Donations	100	-	100
Net assets released from restrictions	<u>3,090</u>	<u>(3,090)</u>	<u>-</u>
Total Revenues and Support	<u>106,459</u>	<u>(3,090)</u>	<u>103,369</u>
FUNCTIONAL EXPENSES:			
Program Services	46,053	-	46,053
Management and General	<u>12,257</u>	<u>-</u>	<u>12,257</u>
	<u>58,310</u>	<u>-</u>	<u>58,310</u>
Change in Net Assets	48,149	(3,090)	45,059
Beginning Net Assets	<u>57,479</u>	<u>3,090</u>	<u>60,569</u>
Ending Net Assets	<u>\$ 105,628</u>	<u>\$ -</u>	<u>\$ 105,628</u>

See accompanying independent auditors' report and notes.

TENNESSEE CITY MANAGEMENT ASSOCIATION

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	45,059
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BEGINNING CASH AND CASH EQUIVALENTS		<u>60,569</u>
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ENDING CASH AND CASH EQUIVALENTS	\$	<u><u>105,628</u></u>
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See accompanying independent auditors' report and notes.

TENNESSEE CITY MANAGEMENT ASSOCIATION

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2013

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, 2013.

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, 2013, 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, 2013

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 2011, 2012, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 2 – CASH

At June 30, 2013, cash (fully insured by the depository bank) is as follows:

Checking account	\$ 63,635
Convention account	14,986
Certificate of Deposit	27,007
	<u>\$ 105,628</u>

NOTE 3 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets amounting to \$10,390 are available to fund the future 2019 International Convention.

NOTE 4 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2013, the date of the most recent financial statements, have been evaluated for possible adjustments to the financial statements or disclosures is August 12, 2013, which is the date on which the financial statements were issued.

SUPPLEMENTARY INFORMATION

TENNESSEE CITY MANAGEMENT ASSOCIATION

Statement of Functional Expenses For the Fiscal Year Ended June 30, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Executive Director	\$ 10,547	\$ 3,516	\$ 14,063
Director Expenses	4,065	-	4,065
Liability Insurance	-	2,790	2,790
Awards	361	-	361
Professional Services	-	5,951	5,951
Annual Business Meeting	1,945	-	1,945
Website	1,486	-	1,486
Copying/Postage	97	-	97
Miscellaneous	4,807	-	4,807
Conference Expenses:			
Hotel	989	-	989
Meals	13,892	-	13,892
Speakers	755	-	755
Supplies	4,942	-	4,942
ICMA Dinner	<u>2,167</u>	<u>-</u>	<u>2,167</u>
Total	<u>\$ 46,053</u>	<u>\$ 12,257</u>	<u>\$ 58,310</u>

See accompanying independent auditors' report and notes.

TENNESSEE CITY MANAGEMENT ASSOCIATION

Schedule of Budget Compared to Actual

For the Fiscal Year Ended June 30, 2013

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Revenues:			
Membership Dues	\$ 25,844	\$ 25,000	\$ 844
Conference Registration Fees	37,710	35,000	2,710
Conference Sponsorships	32,400	20,000	12,400
Golf Fees and Sponsorships	7,300	-	7,300
Donations	100	-	100
New Website Initiative	-	6,000	(6,000)
Interest	<u>15</u>	<u>15</u>	<u>-</u>
Total Revenues	<u>103,369</u>	<u>86,015</u>	<u>17,354</u>
Conference Expenses:			
Hotel Expenses	989	6,500	5,511
Meals	13,892	22,000	8,108
Speakers	755	5,000	4,245
Supplies	4,486	6,300	1,814
ICMA Dinner	2,167	2,000	(167)
SE Regional Summit	<u>456</u>	<u>500</u>	<u>44</u>
Total Conference Expenses	<u>22,745</u>	<u>42,300</u>	<u>19,555</u>
Other Expenses:			
Executive Director	14,063	13,500	(563)
Director Expenses	4,065	8,000	3,935
Liability Insurance	2,790	1,750	(1,040)
Auditor	3,480	2,500	(980)
Awards	361	300	(61)
Professional Services	2,471	2,750	279
Annual Business Meetings	1,945	1,300	(645)
Website	1,486	4,500	3,014
Copying/Postage	97	200	103
ICMA Image Campaign	1,000	-	(1,000)
Other	<u>3,807</u>	<u>1,000</u>	<u>(2,807)</u>
Total Other Expenses	<u>35,565</u>	<u>35,800</u>	<u>235</u>
Total Expenses	<u>58,310</u>	<u>78,100</u>	<u>19,790</u>
Revenues over expenditures	<u>\$ 45,059</u>	<u>\$ 7,915</u>	<u>\$ 37,144</u>

See accompanying independent auditors' report and notes.