

**COALITION FOR THE UPPER
SOUTH PLATTE**

Financial Statements

For the Year Ended December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Coalition for the Upper South Platte
Lake George, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Coalition for the Upper South Platte (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, functional expenses, 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 to 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 Coalition for the Upper South Platte as of December 31, 2016, 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.

Report on Summarized Comparative Information

We have previously audited Coalition for the Upper South Platte's 2015 financial statements, and our report dated May 6, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Waugh & Goodwin, LLP
Colorado Springs, Colorado
April 26, 2017

COALITION FOR THE UPPER SOUTH PLATTE
Statement of Financial Position
December 31, 2016
(With Comparative Amounts for 2015)

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 179,533	\$ 122,514
Accounts receivable, net	30,760	21,859
Due from COCO	581	35,627
Grants receivable	252,740	154,199
Inventory	12,715	
Prepaid expenses	<u>3,678</u>	<u>1,117</u>
Total current assets	480,007	335,316
PROPERTY AND EQUIPMENT:		
Land	12,150	12,150
Building	122,850	122,850
Program vehicles	147,420	71,439
Equipment	18,515	22,594
Trailers and heavy equipment	175,736	146,099
Less accumulated depreciation	<u>(225,301)</u>	<u>(187,648)</u>
Property and equipment - net	251,370	187,484
OTHER ASSETS:		
Note receivable from COCO	30,000	41,812
Mineral interests	<u>140,000</u>	<u>140,000</u>
Total other assets	<u>170,000</u>	<u>181,812</u>
TOTAL ASSETS	<u>\$ 901,377</u>	<u>\$ 704,612</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES:		
Accounts payable	\$ 133,144	\$ 145,781
Due to COCO	64,882	24,118
Accrued liabilities	38,366	17,148
Current portion of note payable	<u>6,772</u>	<u>6,338</u>
Total current liabilities	243,164	193,385
NOTE PAYABLE	<u>57,285</u>	<u>63,688</u>
Total liabilities	300,449	257,073
NET ASSETS:		
Unrestricted	334,644	267,539
Unrestricted - board designated	40,000	40,000
Temporarily restricted	<u>226,284</u>	<u>140,000</u>
Total net assets	<u>600,928</u>	<u>447,539</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 901,377</u>	<u>\$ 704,612</u>

See Notes to Financial Statements

COALITION FOR THE UPPER SOUTH PLATTE
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2016
(With Comparative Totals for 2015)

	Unrestricted	Temporarily Restricted	2016 Totals	2015 Totals
REVENUE:				
Government grants and contracts	\$ 1,647,769	\$ 100,000	\$ 1,747,769	\$ 1,218,644
Foundation and corporate grants	416,753		416,753	302,873
Donated professional services	284,464		284,464	313,688
Program fees	167,856		167,856	183,125
Donated materials and equipment use	39,499		39,499	8,673
Contributions	26,956		26,956	178,724
Special events income	1,913		1,913	9,989
Other revenue	463		463	8,851
Satisfied program restrictions	<u>13,716</u>	<u>(13,716)</u>		
Total revenue	2,599,389	86,284	2,685,673	2,224,567
EXPENSES:				
Program services:				
Forest health and fuels mitigation	1,717,320		1,717,320	1,218,476
Program operations	295,193		295,193	200,348
Monitoring, assessment, and planning	139,835		139,835	225,881
Recreation	61,357		61,357	46,061
Invasive species	56,213		56,213	25,468
Program outreach and environmental education	54,000		54,000	95,562
Emergency management	36,318		36,318	47,088
Habitat	5,379		5,379	187,266
Conservation and sustainability				<u>1,530</u>
Total program services	2,365,615		2,365,615	2,047,680
Supporting services:				
General and administrative	106,522		106,522	64,437
Financial development	<u>60,147</u>		<u>60,147</u>	<u>38,729</u>
Total supporting services	<u>166,669</u>		<u>166,669</u>	<u>103,166</u>
Total expenses	<u>2,532,284</u>		<u>2,532,284</u>	<u>2,150,846</u>
CHANGE IN NET ASSETS	67,105	86,284	153,389	73,721
NET ASSETS, beginning of year	<u>307,539</u>	<u>140,000</u>	<u>447,539</u>	<u>373,818</u>
NET ASSETS, end of year	<u>\$ 374,644</u>	<u>\$ 226,284</u>	<u>\$ 600,928</u>	<u>\$ 447,539</u>

See Notes to Financial Statements

COALITION FOR THE UPPER SOUTH PLATTE
Statement of Functional Expenses
For the Year Ended December 31, 2016

	Forest health and Fuels Mitigation	Program Operations	Monitoring, Assessment, & Planning	Recreation	Invasive Species	Program Outreach & Environmental Education	Emergency Management	Habitat	Total Program Services	General & Administrative	Financial Development	Totals
Banking and credit card fees	\$ 10								\$ 10	\$ 2,637	\$ 29	\$ 2,676
Books, reference & software		2,400				10			2,410	2,705		5,115
Communications		136				10			146	13,930		14,076
Conference and meetings	49	282	110		26	1,156	977		2,600	2,312		4,912
Contract and professional services	832,142	25,507	45,588	3,000	7,403	160	106		913,906	7,873		921,779
Depreciation	13,502	22,410	3,328	366	234	73	30	29	39,972	4,955	4	44,931
Donated materials and services	178,678	3,187	17,005	37,627	38,044	8,044	38	760	283,383	563	6,430	290,376
Equipment operations	8,828	35,094	2,480	135	163	25	10	10	46,745	19	11	46,775
Equipment rental	5,972	150			100				6,222			6,222
Insurance										27,188		27,188
Materials and supplies	146,741	3,990	896	2,075	52		279		154,033	1,671	237	155,941
Membership dues		50							50	1,239		1,289
Miscellaneous expenses	2,322	830	54	74		218	765		4,263	36	106	4,405
Occupancy										6,381		6,381
Office equipment										2,895		2,895
Office supplies		13	89			151			253	7,231	203	7,687
Other administrative expenses										2,174		2,174
Other office expenses	187	18	212		210	35		9	671	521	380	1,572
Program management contracted services	52,930	6,015	29,511	404	428	7,986	808	700	98,782	4,437	9,778	112,997
Program management salaries and benefits	464,759	193,137	37,528	17,573	8,884	35,510	32,071	3,693	793,155	15,983	42,230	851,368
Training and development	640	161					1,178		1,979	588		2,567
Travel	10,560	1,813	3,034	103	669	622	56	178	17,035	1,184	739	18,958
	<u>\$ 1,717,320</u>	<u>\$ 295,193</u>	<u>\$ 139,835</u>	<u>\$ 61,357</u>	<u>\$ 56,213</u>	<u>\$ 54,000</u>	<u>\$ 36,318</u>	<u>\$ 5,379</u>	<u>\$ 2,365,615</u>	<u>\$ 106,522</u>	<u>\$ 60,147</u>	<u>\$ 2,532,284</u>

See Notes to Financial Statements

COALITION FOR THE UPPER SOUTH PLATTE
Statement of Cash Flows
For the Year Ended December 31, 2016
(With Comparative Amounts for 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 153,389	\$ 73,721
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	44,931	37,824
Donation of mining interests		(140,000)
Gain on sale of assets	(200)	
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable, net	(8,901)	7,736
Due from COCO	35,046	(35,627)
Grants receivable	(98,541)	842,688
Inventory	(12,715)	
Prepaid expenses	(2,561)	19,138
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	8,581	(669,641)
Due to COCO	40,764	24,118
Deferred revenue		(1,000)
Total adjustments	<u>6,404</u>	<u>85,236</u>
Net cash provided by operating activities	159,793	158,957
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Advances) repayments on note receivable from COCO	11,812	(41,812)
Proceeds from sale of property and equipment	200	
Acquisition of property and equipment	<u>(108,817)</u>	
Net cash used by investing activities	(96,805)	(41,812)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	<u>(5,969)</u>	<u>(5,973)</u>
Net cash used by financing activities	<u>(5,969)</u>	<u>(5,973)</u>
NET INCREASE IN CASH	57,019	111,172
CASH AND CASH EQUIVALENTS, beginning of year	<u>122,514</u>	<u>11,342</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 179,533</u>	<u>\$ 122,514</u>

See Notes to Financial Statements

COALITION FOR THE UPPER SOUTH PLATTE
Notes to Financial Statements
For the Year Ended December 31, 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Coalition for the Upper South Platte (the Corporation) was incorporated in the state of Colorado in July, 1998. The Corporation was originally established to protect the watershed's ecological health and sustainability by balancing activities in the region and coordinating amongst stakeholders, including regulatory agencies, to identify and recommend water quality management strategies.

After the Hayman fire in 2002, the Coalition for the Upper South Platte was called on to play an active role in coordinating and facilitating recovery efforts. The Corporation has played an integral part in the recovery efforts due to the Waldo Canyon Fire. The mission has been expanded to include the on-site management of a long-term, large-scale erosion stabilization and ecological restoration program which is being carried out primarily by volunteers. The mission also now includes expanding the public's awareness of issues surrounding the water quality and ecological health of the watershed. The Corporation has also implemented an energy efficiency program as part of its strategic plan.

Accounts and Grants Receivable

Accounts and grants receivable are recorded at the amount the Corporation expects to collect on balances outstanding at year end. Based on management's assessment of its history with agencies having outstanding balances and current relationships with them, it has concluded that an allowance of \$1,242 was necessary at both December 31, 2016 and 2015.

In-kind Contributions

The Corporation records various types of in-kind contributions. Contributed services are recognized if the services create or enhance non-financial assets or require specialized skills and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. During the years ended December 31, 2016 and 2015, \$284,464 and \$313,688, respectively, was recorded for contributed services and \$39,499 and \$8,673, respectively, was recorded for tangible assets.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions

Contributions are recorded when received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfied program restrictions. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as unrestricted support.

Property and Equipment

Property and equipment are recorded at cost, or at fair market value if donated, and depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which is five years. The Corporation's building is being depreciated over an estimated useful life of 27.5 years. Depreciation expense for the years ended December 31, 2016 and 2015, amounted to \$44,931 and \$37,825, respectively.

Income Taxes

The Corporation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income tax. Accordingly, no income tax provision has been recorded.

The Corporation's form 990, Return of Organization Exempt from Income Tax, is subject to examination by various taxing authorities, generally for three years after the date it was filed. Management of the Corporation believes that it does not have any uncertain tax positions that are material to the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Corporation's checking, money market, and petty cash accounts.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Economic Dependency

The Corporation is economically dependent on grants and contracts from several government agencies in order to sustain its operations at current levels.

Supplemental Cash Flow Disclosures

Cash flows from operating activities reflect interest paid of \$6,359 and \$5,813 for the years ended December 31, 2016 and 2015, respectively. No income taxes were paid either year.

Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through April 26, 2017, the date that the financial statements were available to be issued.

Prior-Year Comparisons

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Certain reclassifications have been made to the prior-year amounts in order to conform to the current year financial statement format.

Notes to Financial Statements

B. INTEREST IN MINERAL RIGHTS

In 2015, the Corporation received a donation of an undivided interest in approximately 60 mineral acres of mineral rights in Colorado. The value of the mineral rights reflected in the accompanying financial statements was based on appraisals at the time of the gift. This gift will be donated to the US Forest Service in the future, and is included in the Corporation's temporarily restricted net assets.

C. NOTE PAYABLE

On February 24, 2005, the Corporation purchased a facility in Lake George, Colorado to house its offices and provide space for equipment storage and maintenance. A note payable was obtained in the original amount of \$120,000 to finance a portion of the building.

At December 31, 2016, note payable consists of the following:

Note payable to CHFA. This note is secured by a building and requires monthly payments of \$895, including interest at 6.5%, through February, 2025.

\$ 64,057

Less current portion

(6,772)

Long-term portion

\$ 57,285

Future minimum payments for the years ended December 31 are as follows:

2017	\$ 6,772
2018	7,226
2019	7,709
2020	8,226
2021	8,777
Thereafter	25,347

D. BOARD DESIGNATED NET ASSETS

The Board of Directors has designated a portion of unrestricted net assets to support the Antero project.

Notes to Financial Statements

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2016, are available for the following purposes:

US Forest Service support	\$ 140,000
Horse Creek Watershed	<u>86,284</u>
	<u>\$ 226,284</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the year ended December 31, 2016, net assets were released from temporary restrictions by satisfying the following restricted purposes:

Horse Creek Watershed	<u>\$ 13,716</u>
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F. RETIREMENT PLAN

The Corporation has adopted a SIMPLE retirement plan that covers all employees meeting specific age and length of service requirements. Employees may make discretionary contributions to the plan.

The Corporation matches each employee's contribution up to 3% of their earnings.

For the years ended December 31, 2016 and 2015, employer contributions to the plan amounted to \$0 and \$3,871, respectively.

G. RELATED PARTIES

During the years ended December 31, 2016 and 2015, the Corporation provided Coalitions & Collaboratives, Inc. (COCO) funds to support initial operations. A formal promissory note was drafted during 2016 but at year end it had not been signed. No interest is currently being paid on the note. At December 31, 2016 and 2015, the outstanding balance due to the Corporation was \$30,000 and \$41,812, respectively.

In addition, at December 31, 2016 and 2015, the Corporation had trade receivables due from COCO in the amount of \$581 and \$35,627, respectively, and trade payables due to COCO in the amount of \$64,882 and \$24,118, respectively.

The Corporation and COCO share an Executive Director and three board members.

Notes to Financial Statements

G. RELATED PARTIES - Continued

During May 2015, all of the employees of the Corporation were transferred to COCO. The Corporation pays a monthly management fee to COCO for employee time utilized, as well as the respective payroll taxes and related benefits. COCO invoices the Corporation for their share of general liability and director and officer insurance. During the years ended December 31, 2016 and 2015, the Corporation was invoiced \$819,881 and \$564,299, respectively, for management fees and \$26,270 and \$0, respectively, for insurance.