

**COALITION FOR THE UPPER
SOUTH PLATTE**

Financial Statements

For the Year Ended December 31, 2015

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INDEPENDENT AUDITORS' 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, 2015, 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.

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 Coalition for the Upper South Platte as of December 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.

Report on Summarized Comparative Information

We have previously audited Coalition for the Upper South Platte's 2014 financial statements, and our report dated March 12, 2015, 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, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Waugh & Goodwin, LLP
Colorado Springs, Colorado
May 6, 2016

COALITION FOR THE UPPER SOUTH PLATTE
Statement of Financial Position
December 31, 2015
(With Comparative Amounts for 2014)

	<u>ASSETS</u>	
	<u>2015</u>	<u>2014</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 122,514	\$ 11,342
Accounts receivable	21,859	29,595
Due from COCO	35,627	
Grants receivable	154,199	996,887
Prepaid expenses	<u>1,117</u>	<u>20,255</u>
Total current assets	335,316	1,058,079
PROPERTY AND EQUIPMENT:		
Land	12,150	12,150
Building	122,850	122,850
Program vehicles	71,439	71,439
Equipment	22,594	22,594
Trailers and heavy equipment	146,099	146,099
Less accumulated depreciation	<u>(187,648)</u>	<u>(149,824)</u>
Property and equipment - net	187,484	225,308
OTHER ASSETS:		
Note receivable from COCO	41,812	
Mineral interests	<u>140,000</u>	
Total other assets	<u>181,812</u>	
TOTAL ASSETS	<u>\$ 704,612</u>	<u>\$ 1,283,387</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 145,781	\$ 790,500
Due to COCO	24,118	
Accrued liabilities	17,148	42,070
Deferred revenue		1,000
Current portion of note payable	<u>6,338</u>	<u>5,972</u>
Total current liabilities	193,385	839,542
NOTE PAYABLE	<u>63,688</u>	<u>70,027</u>
Total liabilities	257,073	909,569
NET ASSETS:		
Unrestricted	267,539	235,568
Unrestricted - board designated	40,000	35,000
Temporarily restricted	<u>140,000</u>	<u>103,250</u>
Total net assets	<u>447,539</u>	<u>373,818</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 704,612</u>	<u>\$ 1,283,387</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, 2015
(With Comparative Totals for 2014)

	Unrestricted	Temporarily Restricted	2015 Totals	2014 Totals
REVENUE:				
Government grants	\$ 1,162,144	\$	\$ 1,162,144	\$ 5,188,158
Donated professional services	313,688		313,688	438,087
Program fees	181,744		181,744	330,755
Foundation and corporate grants	283,465		283,465	218,500
Contributions	114,632	140,000	254,632	121,083
Other revenue	18,905		18,905	17,020
Special events income	9,989		9,989	9,510
Satisfied program restrictions	103,250	(103,250)		
Total revenue	2,187,817	36,750	2,224,567	6,323,113
EXPENSES:				
Program services:				
Forest health and fuels mitigation	1,218,476		1,218,476	5,462,938
Monitoring, assessment, and planning	225,881		225,881	88,331
Program operations	200,348		200,348	
Habitat	187,266		187,266	420,096
Program outreach and environmental education	95,562		95,562	164,109
Emergency management	47,088		47,088	6,112
Recreation	46,061		46,061	
Invasive species	25,468		25,468	16,933
Conservation and sustainability	1,530		1,530	12,235
Total program services	2,047,680		2,047,680	6,170,754
Supporting services:				
General and administrative	64,437		64,437	245,562
Financial development	38,729		38,729	32,721
Total supporting services	103,166		103,166	278,283
Total expenses	2,150,846		2,150,846	6,449,037
CHANGE IN NET ASSETS	36,971	36,750	73,721	(125,924)
NET ASSETS, beginning of year	270,568	103,250	373,818	499,742
NET ASSETS, end of year	\$ 307,539	\$ 140,000	\$ 447,539	\$ 373,818

See Notes to Financial Statements

COALITION FOR THE UPPER SOUTH PLATTE
Statement of Functional Expenses
For the Year Ended December 31, 2015

	Forest Health & Fuels Mitigation	Monitoring, Assessment, & Planning	Program Operations	Habitat	Outreach & Environmental Education	Emergency Management	Recreation	Invasive Species	Conservation & Sustainability	Total Program Services	General & Administrative	Financial Development	Totals
Advertising	\$ 287	\$ 64	\$ 81	\$ 49	\$ 57	\$ 18	\$ 13	\$ 6	\$ 1	\$ 576	\$ 30	\$ 19	\$ 625
Books, subscriptions & software	4,330	960	1,224	734	861	273	193	92	13	8,680	450	282	9,412
Contract & professional services	524,368	93,395	10,931	97,032	7,693	2,438	1,724	10,694	118	748,393	4,019	2,522	754,934
Depreciation	17,400	3,858	4,917	2,950	3,461	1,097	775	371	53	34,882	1,808	1,135	37,825
Donated time & materials	213,308	47,053		50,190				3,137		313,688			313,688
Donations	1,518	337	429	257	302	96	68	32	5	3,044	158	99	3,301
Equipment maintenance & repair	13,936	3,090	3,939	2,363	2,772	879	621	297	42	27,939	1,448	909	30,296
Equipment rental	5,524		932				200			6,656			6,656
Insurance	11,526	2,556	3,257	1,954	2,293	727	514	246	35	23,108	1,198	752	25,058
Interest expense	2,674	593	756	453	532	169	119	57	8	5,361	278	174	5,813
Miscellaneous expenses	2,061	457	583	350	410	130	92	44	8	4,135	214	134	4,483
Occupancy	1,104	245	312	187	220	70	49	24	3	2,214	115	72	2,401
Office supplies	7,751	4,091	4,952	1,077	86		215	22		18,194	3,337		21,531
Payroll taxes	9,205	1,567	3,134	783	1,175	1,175	1,175	39	39	18,292	901	392	19,585
Personnel expenses	131,858	22,444	44,888	11,222	16,833	16,833	16,833	561	561	262,033	12,905	5,611	280,549
Postage & shipping	610	135	172	103	121	38	27	13	2	1,221	63	40	1,324
Printing & duplicating	1,139	253	322	193	227	72	51	24	3	2,284	118	74	2,476
Professional development	631	1,367	2,524		316	3,997		105		8,940	1,578		10,518
Professional fees	4,695	1,041	1,327	796	934	296	209	100	14	9,412	488	306	10,206
Program management services	233,872	34,839	108,322	7,229	54,895	16,414	22,664	8,098	598	486,931	30,980	25,599	543,510
Property maintenance	321	71	91	54	64	20	14	7	1	643	33	21	697
Publications & subscriptions	1,415	314	400	240	281	89	63	30	4	2,836	147	92	3,075
Resource services	9,096	2,006		2,140				134		13,376			13,376
Small equipment	145	2,172	2,389	217		1,520		145		6,588	652		7,240
Taxes	106	23	30	18	21	7	5	2		212	11	7	230
Telecommunications	6,353	1,409	1,795	1,077	1,264	401	283	135	19	12,736	660	414	13,810
Travel & meetings	12,093	1,286	2,316	5,403	515	257	103	1,029		23,002	2,727		25,729
Utilities	1,150	255	325	195	229	72	51	24	3	2,304	119	75	2,498
	<u>\$ 1,218,476</u>	<u>\$ 225,881</u>	<u>\$ 200,348</u>	<u>\$ 187,266</u>	<u>\$ 95,562</u>	<u>\$ 47,088</u>	<u>\$ 46,061</u>	<u>\$ 25,468</u>	<u>\$ 1,530</u>	<u>\$ 2,047,680</u>	<u>\$ 64,437</u>	<u>\$ 38,729</u>	<u>\$ 2,150,846</u>

See Notes to Financial Statements

COALITION FOR THE UPPER SOUTH PLATTE
Statement of Cash Flows
For the Year Ended December 31, 2015
(With Comparative Amounts for 2014)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 73,721	\$ (125,924)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	37,824	29,274
Donation of mining interests	(140,000)	
Change in assets and liabilities:		
Decrease in accounts receivable	7,736	73,838
Increase in due from COCO	(35,627)	
Decrease in grants receivable	842,688	(201,716)
Decrease in prepaid expenses	19,138	2,034
Decrease in accounts payable and accrued liabilities	(669,641)	303,981
Decrease in due to COCO	24,118	
Decrease in deferred revenue	(1,000)	(7,269)
Total adjustments	<u>85,236</u>	<u>200,142</u>
Net cash provided by operating activities	158,957	74,218
CASH FLOWS FROM INVESTING ACTIVITIES:		
Note receivable from COCO	(41,812)	
Acquisition of property and equipment	<u>(41,812)</u>	<u>(99,120)</u>
Net cash used by investing activities	(41,812)	(99,120)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	<u>(5,973)</u>	<u>(5,600)</u>
Net cash used by financing activities	(5,973)	(5,600)
NET INCREASE (DECREASE) IN CASH	111,172	(30,502)
CASH AND CASH EQUIVALENTS, beginning of year	<u>11,342</u>	<u>41,844</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 122,514</u>	<u>\$ 11,342</u>

See Notes to Financial Statements

COALITION FOR THE UPPER SOUTH PLATTE
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

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 and \$0 was necessary at December 31, 2015 and 2014, respectively.

Donated Services

The Corporation recognizes donated services that create or enhance non-financial assets or that require specialized skills and would typically need to be purchased if not provided by donation. During the years ended December 31, 2015 and 2014, \$313,688 and \$438,038, respectively, was recorded for donated services.

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, 2015 and 2014, amounted to \$37,825 and \$29,274, 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 \$5,813 and \$5,926 for the years ended December 31, 2015 and 2014, 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 May 6, 2016, 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 or functional expense class. 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, 2014, 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, 2015, 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.	\$ 70,026
Less current portion	<u>(6,338)</u>
Long-term portion	<u>\$ 63,688</u>

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

2016	\$ 6,338
2017	6,800
2018	7,254
2019	7,417
2020	8,214
Thereafter	34,003

D. BOARD DESIGNATED NET ASSETS

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

E. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2015 are available for the following purposes:

US Forest Service support	<u>\$ 140,000</u>
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Notes to Financial Statements

E. TEMPORARILY RESTRICTED NET ASSETS - Continued

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the year ended December 31, 2015, net assets were released from temporary restrictions by satisfying the following restricted purposes:

Xcel service learning	\$ 100,000
Master leasing plan	3,000
Energy smart	<u>250</u>
Total	<u>\$ 103,250</u>

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, 2015 and 2014, employer contributions to the plan amounted to \$3,871 and \$10,439, respectively.

G. RELATED PARTIES

During the year ended December 31, 2015, the Corporation provided Coalitions & Collaboratives, Inc. (COCO) funds to support initial operations. At year end no formal note had been signed and no interest is currently being paid. At December 31, 2015, the outstanding balance due to the Corporation was \$41,812.

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

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

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. In addition, this fee covers their share of insurance policies that also insure the Corporation.