

**COALITION FOR THE UPPER
SOUTH PLATTE**

Financial Statements

For the Year Ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the 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, 2017, 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, 2017, 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 2016 financial statements, and our report dated April 26, 2017, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Waugh & Goodwin, LLP
Colorado Springs, Colorado
June 4, 2018

COALITION FOR THE UPPER SOUTH PLATTE
Statement of Financial Position
December 31, 2017
(With Comparative Amounts for 2016)

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 74,652	\$ 179,533
Accounts receivable, net	12,578	30,760
Due from COCO	337	581
Grants receivable	94,148	252,740
Inventory	4,437	12,715
Prepaid expenses	<u>3,387</u>	<u>3,678</u>
Total current assets	189,539	480,007
PROPERTY AND EQUIPMENT:		
Land	12,150	12,150
Building	122,850	122,850
Program vehicles	147,420	147,420
Equipment	18,515	18,515
Trailers and heavy equipment	180,036	175,736
Less accumulated depreciation	<u>(283,130)</u>	<u>(225,301)</u>
Property and equipment - net	197,841	251,370
OTHER ASSETS:		
Note receivable from COCO		30,000
Mineral interests	<u>140,000</u>	<u>140,000</u>
Total other assets	<u>140,000</u>	<u>170,000</u>
TOTAL ASSETS	<u>\$ 527,380</u>	<u>\$ 901,377</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
CURRENT LIABILITIES:		
Accounts payable	\$ 66,491	\$ 133,144
Due to COCO	4,675	64,882
Accrued liabilities	17,706	38,366
Notes payable	55,000	
Current portion of note payable	<u>6,641</u>	<u>6,772</u>
Total current liabilities	150,513	243,164
NOTE PAYABLE	<u>50,060</u>	<u>57,285</u>
Total liabilities	200,573	300,449
NET ASSETS:		
Unrestricted	181,813	334,644
Unrestricted - board designated		40,000
Temporarily restricted	<u>144,994</u>	<u>226,284</u>
Total net assets	<u>326,807</u>	<u>600,928</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 527,380</u>	<u>\$ 901,377</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, 2017
(With Comparative Totals for 2016)

	Unrestricted	Temporarily Restricted	2017 Totals	2016 Totals
REVENUE:				
Government grants and contracts	\$ 694,882	\$ 63,808	\$ 758,690	\$ 1,747,769
Foundation and corporate grants	163,515		163,515	416,753
Donated professional services	78,214		78,214	284,464
Program fees	110,799		110,799	167,856
Donated materials and equipment use	13,287		13,287	39,499
Contributions	23,787		23,787	26,956
Special events income	889		889	1,913
Other revenue	10,500		10,500	463
Satisfied program restrictions	<u>145,098</u>	<u>(145,098)</u>		
Total revenue	1,240,971	(81,290)	1,159,681	2,685,673
EXPENSES:				
Program services:				
Forest health and fuels mitigation	648,699		648,699	1,717,320
Habitat	235,459		235,459	5,379
Monitoring, assessment, and planning	123,554		123,554	139,835
Program operations	94,953		94,953	295,193
Emergency management	41,384		41,384	36,318
Invasive species	35,793		35,793	56,213
Program outreach and environmental education	22,894		22,894	54,000
Recreation	<u>11,715</u>		<u>11,715</u>	<u>61,357</u>
Total program services	1,214,451	-	1,214,451	2,365,615
Supporting services:				
General and administrative	160,889		160,889	106,522
Financial development	<u>58,460</u>		<u>58,460</u>	<u>60,147</u>
Total supporting services	<u>219,349</u>		<u>219,349</u>	<u>166,669</u>
Total expenses	<u>1,433,800</u>		<u>1,433,800</u>	<u>2,532,284</u>
CHANGE IN NET ASSETS	(192,829)	(81,290)	(274,119)	153,389
NET ASSETS, beginning of year	<u>374,642</u>	<u>226,284</u>	<u>600,926</u>	<u>447,539</u>
NET ASSETS, end of year	<u>\$ 181,813</u>	<u>\$ 144,994</u>	<u>\$ 326,807</u>	<u>\$ 600,928</u>

See Notes to Financial Statements

COALITION FOR THE UPPER SOUTH PLATTE
Statement of Functional Expenses
For the Year Ended December 31, 2017

	Forest health and Fuels <u>Mitigation</u>	<u>Habitat</u>	Monitoring, Assessment, & <u>Planning</u>	Program <u>Operations</u>	Emergency <u>Management</u>	Invasive <u>Species</u>	Program Outreach & Environmental <u>Education</u>	<u>Recreation</u>	Total Program <u>Services</u>	General & <u>Administrative</u>	Financial <u>Development</u>	<u>Totals</u>
Banking and credit card fees	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 3,690	\$	\$ 3,690
Books, reference & software				1,200					1,200	6,688		7,888
Communications	5,692	2,711	1,355	1,375	1,355	407	271		13,166	898		14,064
Conference and meetings	329		73	570					972	494		1,466
Contract and professional services	286,509	39,981	68,954	342		6,079	215		402,080	13,956	1,225	417,261
Depreciation	30,633	9,451	5,783	5,783	4,197	148	99		56,094	1,735	0	57,829
Equipment operations and rental	23,648	9,532	764	1,846	29	702	83	685	36,604	5,021	131	41,756
Fundraising event											10,000	10,000
Insurance	3,299	977	611	1,649	428	0			6,964	1,890		8,854
Materials and supplies	13,341	25,512	688	2,965		154	231	12	42,891			42,891
Miscellaneous expenses	698			404					1,102	77	4,407	5,586
Occupancy	4,656	2,109	1,504	1,055	1,055	316	211		10,906	275	159	11,340
Office expenses	322	351	312	2,112	225	134	919		4,375	19,328	1,745	25,448
Other administrative expenses	11,473	1,623	2,295	(2,993)					12,398	(12,398)		
Program management salaries, benefits and contracted services	264,915	139,759	38,100	78,405	34,050	27,639	20,250	11,018	603,118	119,132	40,319	762,569
Training and development							557		557			557
Travel	3,184	3,453	3,115	240	45	214	58		10,309	103	474	10,886
	<u>\$ 648,699</u>	<u>\$ 235,459</u>	<u>\$ 123,554</u>	<u>\$ 94,953</u>	<u>\$ 41,384</u>	<u>\$ 35,793</u>	<u>\$ 22,894</u>	<u>\$ 11,715</u>	<u>\$ 1,202,736</u>	<u>\$ 160,889</u>	<u>\$ 58,460</u>	<u>\$ 1,422,085</u>

See Notes to Financial Statements

COALITION FOR THE UPPER SOUTH PLATTE
Statement of Cash Flows
For the Year Ended December 31, 2017
(With Comparative Amounts for 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (274,119)	\$ 153,389
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	57,829	44,931
Gain on sale of assets		(200)
Change in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable, net	18,182	(8,901)
Due from COCO	244	35,046
Grants receivable	158,592	(98,541)
Inventory	8,278	(12,715)
Prepaid expenses	291	(2,561)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(87,315)	8,581
Due to COCO	(60,207)	40,764
Total adjustments	<u>95,894</u>	<u>6,404</u>
Net cash provided (used) by operating activities	(178,225)	159,793
CASH FLOWS FROM INVESTING ACTIVITIES:		
Repayments on note receivable from COCO	30,000	11,812
Proceeds from sale of property and equipment		200
Acquisition of property and equipment	<u>(4,300)</u>	<u>(108,817)</u>
Net cash provided (used) by investing activities	25,700	(96,805)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal proceeds (payments) on note payable	<u>47,644</u>	<u>(5,969)</u>
Net cash provided (used) by financing activities	<u>47,644</u>	<u>(5,969)</u>
NET INCREASE (DECREASE) IN CASH	(104,881)	57,019
CASH AND CASH EQUIVALENTS, beginning of year	<u>179,533</u>	<u>122,514</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 74,652</u>	<u>\$ 179,533</u>

See Notes to Financial Statements

COALITION FOR THE UPPER SOUTH PLATTE
Notes to Financial Statements
For the Year Ended December 31, 2017

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 for doubtful accounts of \$1,242 was necessary at both December 31, 2017 and 2016.

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, 2017 and 2016, \$78,214 and \$284,464, respectively, was recorded for contributed services and \$13,287 and \$39,499, 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, 2017 and 2016, amounted to \$109,726 and \$44,931, 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 \$5,348 and \$6,359 for the years ended December 31, 2017 and 2016, 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 June 4, 2018, 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, 2016, 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. Subsequent to December 31, 2017, the transfer to the US Forest Service was completed.

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, 2017, 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.	\$ 56,701
Less current portion	<u>(6,641)</u>
Long-term portion	<u>\$ 50,060</u>

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

2018	\$ 6,641
2019	7,709
2020	8,226
2021	8,777
2022	9,364
Thereafter	15,984

D. LINE OF CREDIT

During the year ended December 31, 2017, the Corporation obtained a line of credit from a local bank. The line of credit is \$100,000, has an interest rate of ZB NA prime plus 3.24% and expires August 24, 2020. The line of credit is collateralized by certain assets of the Corporation. At December 31, 2017, the balance outstanding on the line of credit was \$0.

Notes to Financial Statements

E. BOARD DESIGNATED NET ASSETS

During the year ended December 31, 2017, the designation of a portion of unrestricted net assets to support the Antero project ended.

F. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017, are available for the following purposes:

US Forest Service support	\$ 140,000
Horse Creek Watershed	<u>4,994</u>
	<u>\$ 144,994</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the year ended December 31, 2017, net assets were released for the following purposes:

Horse Creek Watershed	<u>\$ 145,098</u>
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G. RELATED PARTIES

During the years ended December 31, 2017 and 2016, the Corporation provided Coalitions & Collaboratives, Inc. (COCO) funds to support initial operations. No interest is currently being paid on the note. At December 31, 2017 and 2016, the outstanding balance due to the Corporation was \$0 and \$30,000, respectively.

In addition, at December 31, 2017 and 2016, the Corporation had trade receivables due from COCO in the amount of \$337 and \$581, respectively, and trade payables due to COCO in the amount of \$4,675 and \$64,882, respectively.

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

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, 2017 and 2016, the Corporation was invoiced \$639,408 and \$590,569, respectively, for management fees and insurance.

During the year ended December 31, 2017, the Executive Director made non interest bearing loans to the Corporation. As of December 31, 2017, the balance outstanding on the loan was \$55,000.