

ROARING FORK CONSERVANCY

FINANCIAL STATEMENTS

December 31, 2018

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TABLE OF CONTENTS

ITEM	PAGE NUMBER
Independent Accountant's Review Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6



Board of Directors
Roaring Fork Conservancy
Basalt, Colorado

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

We have reviewed the accompanying financial statements of Roaring Fork Conservancy (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
November 4, 2020

ROARING FORK CONSERVANCY
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

Cash	\$	368,046
Accounts Receivable		62,139
Pledges Receivable, net		61,708
Inventory		5,981
Cash Restricted for River Center		119,448
Fixed Assets, net		3,401,679
TOTAL ASSETS	\$	4,019,001

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$	42,520
Accrued Liabilities		11,412
Construction Loan, net		537,636
TOTAL LIABILITIES		591,568

NET ASSETS

Without Donor Restrictions		240,797
Invested in Fixed Assets, net of Loan		2,864,043
Net Assets Without Donor Restrictions		3,104,840
Net Assets With Donor Restrictions		322,593
TOTAL NET ASSETS		3,427,433
TOTAL LIABILITIES AND NET ASSETS	\$	4,019,001

See accompanying notes and independent accountant's review report.

ROARING FORK CONSERVANCY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

	Without donor restrictions	With donor restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 347,964	\$ 192,620	\$ 540,584
Grants	112,300	26,667	138,967
In-Kind Donations	5,500	-	5,500
Roaring Fork Club Fees	155,018	-	155,018
Special Events, net	273,664	-	273,664
Program Fees	104,700	-	104,700
Investment Return, net	(299)	304	5
Other Income	960	-	960
Net Assets Released From Restrictions:			
Release of Restrictions	2,639,205	(2,639,205)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	3,639,012	(2,419,614)	1,219,398
 EXPENSES			
Program Services	742,160	-	742,160
Management and General	686,366	-	686,366
Fundraising	230,206	-	230,206
TOTAL EXPENSES	1,658,732	-	1,658,732
 CHANGE IN NET ASSETS	 1,980,280	 (2,419,614)	 (439,334)
NET ASSETS, Beginning of year	1,124,560	2,742,207	3,866,767
NET ASSETS, End of year	\$ 3,104,840	\$ 322,593	\$ 3,427,433

See accompanying notes and independent accountant's review report.

ROARING FORK CONSERVANCY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services	Management and General	Fundraising	Cost of Goods Sold	Total
Salaries and Wages	\$ 333,326	\$ 45,748	\$ 149,010	\$ -	\$ 528,084
Employee Benefits	53,042	6,404	6,653	-	66,099
Payroll Taxes	25,504	5,064	3,876	-	34,444
Program Expenses	181,349	-	4,400	-	185,749
Advertising and Promotion	5,578	59	45,333	-	50,970
Accounting Services	904	46,464	2,285	-	49,653
Office Expenses	17,538	3,884	2,450	-	23,872
Professional Services	9,460	2,122	-	-	11,582
Professional Dues and Memberships	4,971	388	7,280	-	12,639
Information Technology	7,683	960	960	-	9,603
Rent and Occupancy Costs	39,357	6,479	1,939	-	47,775
Insurance	13,642	-	-	-	13,642
Travel	10,340	1,249	1,087	-	12,676
Interest	-	17,123	-	-	17,123
Write-off of Planning Costs	-	545,489	-	-	545,489
Depreciation	39,466	4,933	4,933	-	49,332
Cost of Direct Benefit to Donors	-	-	-	124,841	124,841
Total Expenses by Function	742,160	686,366	230,206	124,841	1,783,573
Less expenses included with revenues on the statement of activities					
Cost of Direct Benefits to Donors	-	-	-	(124,841)	(124,841)
Total Expenses included in the expense section on the statement of activities	<u>\$ 742,160</u>	<u>\$ 686,366</u>	<u>\$ 230,206</u>	<u>\$ -</u>	<u>\$ 1,658,732</u>

See accompanying notes and independent accountant's review report.

**ROARING FORK CONSERVANCY
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (439,334)
Adjustments To Reconcile Change in Net Assets To Net Cash Provided By Operating Activities:	
Depreciation Expense	49,332
Write-off of Planning Costs	545,489
Amortization of Pledge Receivable Discount	1,095
Change in Assets and Liabilities:	
Accounts Receivable	(22,394)
Pledges Receivable, net	256,600
Inventory	(5,981)
Other Assets	600
Accounts Payable	(127,918)
Accrued Liabilities	4,408
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>261,897</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
River Center Construction Costs	(1,238,644)
Purchase of Fixed Assets	(58,731)
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,297,375)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Construction Loan Proceeds	639,553
Payments on Construction Loan	(100,099)
Payments on Line of Credit	(9,983)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>529,471</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS	 (506,007)
CASH AND CASH RESTRICTED FOR RIVER CENTER, Beginning of year	<u>993,501</u>
CASH AND CASH RESTRICTED FOR RIVER CENTER, End of year	<u>\$ 487,494</u>
 CASH PAID FOR INTEREST	 <u>\$ 17,123</u>

See accompanying notes and independent accountant's review report.

ROARING FORK CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

1. NATURE OF ORGANIZATION

Roaring Fork Conservancy (the “Conservancy”) was incorporated November 26, 1996 as a not for profit corporation under the laws of the State of Colorado. The Conservancy’s mission is to inspire people to explore, value, and protect the Roaring Fork Watershed. The Conservancy is focused on water quantity, water quality and habitat preservation.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of the Conservancy have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

ADOPTION OF ACCOUNTING PRONOUNCEMENT

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU also requires changes in the way certain information is aggregated and reported by the Conservancy, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard was adopted for the Conservancy year ending December 31, 2018 and retrospectively applied to all periods presented. The adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

CLASSIFICATION OF NET ASSETS

Net assets of the Conservancy are classified based on the presence or absence of donor-imposed restrictions. Net assets are classified as follows:

Net assets without donor restrictions: Net assets available for use in and not subject to donor-imposed restrictions.

Net assets with donor restrictions: Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the resources are to be maintained in perpetuity. Net assets with donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As of December 31, 2018, the Conservancy did not have any net assets to be held in perpetuity.

CASH AND CASH RESTRICTED FOR RIVER CENTER

Cash and cash equivalents include all cash held in deposits and investments with an original maturity of three months or less.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount the Conservancy expects to collect from outstanding balances. The Conservancy provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to an allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the Conservancy has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable. At December 31, 2018, the Conservancy had no bad debt allowance.

PLEDGES RECEIVABLE

Unconditional pledges to give are recognized as revenues in the period pledged and as assets or decreases of liabilities depending on the form of the benefits received. Pledges to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Management believes that all amounts will be received when due, therefore no allowance for uncollectible pledges has been provided. Conditional pledges are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

FIXED ASSETS

Fixed assets are accounted for at cost. Maintenance and repairs are charged to expenses as incurred; major renewals and betterments are capitalized. Donated assets are recorded at fair market value at the time of ownership transfer. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Fixed assets are depreciated over their estimated useful lives which range from five to forty years.

REVENUE RECOGNITION

CONTRIBUTIONS AND GRANTS

Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions and grants restricted for the acquisition of land, buildings and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

SPECIAL EVENTS

Special events income includes the annual River Rendezvous event and the grand opening of the River Center. Special event income is recognized when the event occurs.

PROGRAM FEES

Program fee revenue is related to educational programs provided include adult watershed discovery and “watershed institute” seminar programs. The revenue is recognized as classes are provided to students.

INCOME TAXES

The Conservancy is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The accounting standard on accounting for uncertainty in taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Conservancy follows the use of a two-step approach for recognizing and measuring tax positions taken or expected to be taken in a tax return. First, a tax position should only be recognized when it is more likely than not, based on technical merits, that the position will be sustained upon examination by the taxing authority. Second, a tax position that meets the recognition threshold should be measured at the largest amount that has a greater than 50 percent likelihood of being sustained. The Conservancy had no material unrecognized tax benefits for the year ended December 31, 2018. As a result, no interest or penalties were accrued for unrecognized tax benefits during the year.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the 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.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

ADVERTISING

The Conservancy expenses advertising costs as they are incurred. Advertising costs for the year ended December 31, 2018 was \$50,970.

UPCOMING ACCOUNTING PRONOUNCEMENT

In June 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. This ASU is effective for the Conservancy for the year ending December 31, 2019. The Conservancy is determining how this ASU will be applied.

DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through November 4, 2020 the date these financial statements were available to be issued.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available to meet cash needs for general expenditures within one year are as follows as of December 31, 2018:

Cash	\$ 368,046
Pledges Receivable, Undesignated	<u>44,000</u>
	<u>\$ 412,046</u>

As part of the Conservancy's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Conservancy has a committed line of credit in the amount of \$50,000 (as further discussed in Note 9), which it could draw upon.

4. PLEDGES RECEIVABLE

Pledges receivable as of December 31, 2018 are as follows:

Receivable in Less Than One Year	\$ 44,000
Receivable in One to Five Years	<u>20,000</u>
Total	64,000
Less Discount to Present Value	<u>(2,292)</u>
Net Pledges Receivable	<u>\$ 61,708</u>

Pledges receivable due dates extending beyond one year are discounted at a 5% annual rate of interest, which is the Conservancy's incremental borrowing rate.

5. FIXED ASSETS

Fixed assets consist of the following as of December 31, 2018:

Building	\$ 3,232,380
Land	130,360
Furniture and Fixtures	88,636
Office Equipment	<u>42,492</u>
Total	3,493,868
Less Accumulated Depreciation	<u>(97,689)</u>
Fixed Assets, net	<u>\$ 3,396,179</u>

Depreciation expense for the year ending December 31, 2018 was \$49,332.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2018 included the following:

Monitoring Reserve	\$ 212,385
Sanders Ranch Study	36,000
Brooks Easement	4,000
Coryell Ranch Easement	3,500
Stewardship and Legal Defense Fund	5,000
Pledges Receivable River Center	61,708
	<u>\$ 322,593</u>

Net assets released from donor restrictions by incurring expenses satisfying the purpose specified by donors totaled \$2,639,205 for the year ended December 31, 2018.

7. RETIREMENT PLAN

The Conservancy offers its staff the option to participate in a deferred compensation plan pursuant to section 403(b) of the Internal Revenue Code. Staff contributions are voluntary and are made on a pre-tax basis. The Conservancy has elected to contribute two percent of eligible employees' annual compensation. For the year ended December 31, 2018, the Conservancy contributed \$7,865 to the plan.

8. CONCENTRATIONS

Cash

From time to time during the year, the Conservancy had amounts on deposit at financial institutions that exceeded amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). As of December 31, 2018, the Conservancy had cash in excess of FDIC insurance of \$206,285.

Pledges Receivable

As of December 31, 2018, 100% of pledges receivable is due from two donors.

9. COMMITMENTS AND CONTINGENCIES

Office Lease Agreement

The Conservancy entered into a rental lease agreement for office space in Basalt with GDBS at Snowmass, Inc. for the period of June 1, 2005 through May 31, 2010. The Conservancy has the option to renew the lease annually. The most recent renewal period is on a month to month basis through August 31, 2018 at a rate of \$3,269 per month. The Conservancy ceased the office lease when the River Center building was completed in June 2018. For the year ended December 31, 2018, the Conservancy spent \$23,848 on office rent for this lease agreement.

Land Lease Agreement

The Conservancy sold a piece of land in Basalt, Colorado to the Town of Basalt on April 15, 2017 for \$400,000. The piece of land was then immediately leased back to the Conservancy for a 5-year period with a cost of \$1 per year with an extension option of an additional 94 years at no cost.

Construction Loan

A construction loan was entered into with a bank on July 19, 2018. The construction loan incurs interest at prime rate plus .25% (5.75% at December 31, 2018). The loan balance as of December 31, 2018 is \$539,454 net of loan costs of \$1,818 on the statement of financial position. The construction loan had an original maturity date of January 19, 2019 and was extended in 2019 to mature in October 2019.

On October 3, 2019, the Conservancy paid off the remaining balance of the construction loan by obtaining a term loan agreement with a bank for \$300,843.

Write-off of Planning Costs

For the year ended December 31, 2018, the Conservancy wrote off \$545,489 of planning costs that were incurred in the design and planning of a previous building design. As these costs and design fees were not utilized in the construction of the River Center Building, they were written off.

Line of Credit

In November 2018, the Conservancy obtained a \$50,000 line of credit with a bank, which matures on November 16, 2022. Bank advances on the line of credit are payable on demand and carry an interest rate of 8.75%. The line of credit is secured by a promissory note that collateralizes substantially all business assets of the Conservancy. For the year ended December 31, 2018, the Conservancy incurred \$123 of interest expense. As the line of credit was used for building costs for the new River Center, this interest expense was capitalized into planning. The line of credit had no outstanding balance as of December 31, 2018.

10. SUBSEQUENT EVENTS

In early March 2020, the U.S. and global economies have reacted negatively in response to worldwide concerns due to the economic impact of the COVID-19 pandemic. These trends, including an economic turndown, and any potential resulting direct and indirect negative impacts to the Conservancy's, cannot be determined, but may have a material prospective impact to the Conservancy's operations, cash flows, and liquidity.

On April 9, 2020, the Conservancy received a Federal Payroll Protection Loan in the amount of \$104,000. This loan is contingently forgiven if the Conservancy meets certain expenditure requirements. Any unforgiven portion of the loan will require monthly principal and interest payments beginning November 9, 2020, carries an interest rate of 1%, and matures on April 9, 2022.