GREAT RIVER GREENING

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015

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For the Years Ended December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Great River Greening
Saint Paul, Minnesota

We have audited the accompanying financial statements of Great River Greening (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to 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 audits. We conducted our audits 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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Great River Greening as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

June 20, 2017

Mahoney Ulbrich
Christiansen Russ P.A.

GREAT RIVER GREENING

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash	$ 387,299	$ 510,585
Accounts receivable	376,870	254,980
Contributions receivable	35,000	60,000
Prepaid expenses and deposits	21,733	20,487
Equipment and leasehold improvements, net	88,162	83,758
Cash restricted for long-term purposes	400	1,800
Total assets	$ 909,464	$ 931,610
LIABILITIES AND NET ASSETS		
Accounts payable	$ 132,282	$ 86,719
Accrued expenses	72,038	38,507
Refundable advances	8,338	8,338
Vehicle note payable	11,297	15,669
Total liabilities	223,955	149,233
Net assets:		
Unrestricted and undesignated	458,065	417,173
Temporarily restricted	227,444	365,204
Total net assets	685,509	782,377
Total liabilities and net assets	$ 909,464	$ 931,610

See Accompanying Notes to Financial Statements.

GREAT RIVER GREENING

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Public support	$ 334,462	$ 106,788	$ 441,250	$ 343,959	$ 169,345	$ 513,304
Government grants and contracts	1,515,707	-	1,515,707	1,164,664	-	1,164,664
In-kind contributions	2,775	-	2,775	22,651	-	22,651
Net assets released from restrictions	244,548	(244,548)	-	145,240	(145,240)	-
Program service fees	134,107	-	134,107	101,729	-	101,729
Special events (net of direct benefits to donors of $40,371 in 2016 and $41,509 in 2015)	94,949	-	94,949	87,458	-	87,458
Other income	665	-	665	3,138	-	3,138
Total support and revenue	2,327,213	(137,760)	2,189,453	1,868,839	24,105	1,892,944
Expenses:						
Program services	2,001,253	-	2,001,253	1,529,696	-	1,529,696
Management and general	166,391	-	166,391	154,089	-	154,089
Fundraising	118,677	-	118,677	106,777	-	106,777
Total expenses	2,286,321	-	2,286,321	1,790,562	-	1,790,562
Change in net assets	40,892	(137,760)	(96,868)	78,277	24,105	102,382
Net assets - beginning of year	417,173	365,204	782,377	338,896	341,099	679,995
Net assets - end of year	$ 458,065	$ 227,444	$ 685,509	$ 417,173	$ 365,204	$ 782,377

See Accompanying Notes to Financial Statements.

GREAT RIVER GREENING

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2016 and 2015

	2016				2015			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	$ 620,645	$ 112,039	$ 94,777	$ 827,461	$ 534,906	$ 99,540	$ 70,865	$ 705,311
Payroll taxes	57,531	9,604	8,476	75,611	55,304	9,311	7,306	71,921
Employee benefits	64,152	16,710	6,707	87,569	65,633	15,466	6,838	87,937
Total personnel expense	742,328	138,353	109,960	990,641	655,843	124,317	85,009	865,169
Occupancy	26,352	2,451	2,012	30,815	25,769	2,478	2,033	30,280
Office and computer supplies	10,275	2,091	1,408	13,774	8,247	2,339	860	11,446
Copying, printing and photography	3,177	893	837	4,907	3,418	648	634	4,700
Telephone	4,825	560	336	5,721	4,652	376	308	5,336
Postage and shipping	651	327	424	1,402	450	109	673	1,232
Contract partner services	861,755	-	-	861,755	667,443	-	7,269	674,712
Restoration materials	241,817	-	-	241,817	51,867	-	-	51,867
Field and event supplies	44,896	180	-	45,076	42,240	64	-	42,304
Professional services	9,211	11,450	1,397	22,058	5,698	14,156	988	20,842
Auto and travel	12,666	2,407	351	15,424	9,913	1,016	198	11,127
Other expense	5,091	4,572	291	9,954	16,687	5,812	7,434	29,933
Insurance	10,139	2,057	726	12,922	12,001	2,066	734	14,801
Depreciation	28,070	1,050	935	30,055	25,468	708	637	26,813
	$ 2,001,253	$ 166,391	$ 118,677	2,286,321	$ 1,529,696	$ 154,089	$ 106,777	1,790,562
Direct benefits to donors				40,371				41,509
Total expenses				$ 2,326,692				$ 1,832,071

See Accompanying Notes to Financial Statements.

GREAT RIVER GREENING

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

Increase (Decrease) in Cash

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ (96,868)	$ 102,382
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	30,055	26,813
Changes in operating assets and liabilities:		
Accounts receivable	(121,890)	45,171
Contributions receivable	25,000	(30,000)
Prepaid expenses and deposits	(1,246)	3,623
Accounts payable	45,563	(16,362)
Accrued expenses	33,531	(23,645)
Refundable advances	-	8,338
Net cash from operating activities	(85,855)	116,320
Cash flows from investing activities:		
Decrease in cash restricted for long-term purposes	1,400	-
Purchase of equipment and leasehold improvements	(34,459)	(17,819)
Net cash from investing activities	(33,059)	(17,819)
Cash flows from financing activities:		
Repayment of vehicle note payable	(4,372)	(4,281)
Net cash from financing activities	(4,372)	(4,281)
Net increase (decrease) in cash	(123,286)	94,220
Cash - beginning of year	510,585	416,365
Cash - end of year	$ 387,299	$ 510,585

See Accompanying Notes to Financial Statements.

1. **ORGANIZATION**

Great River Greening (the Organization) is a Minnesota nonprofit corporation organized in 1999 and located in Saint Paul, Minnesota.

The Organization leads and promotes community-based restoration of natural areas. The Organization follows the guiding principles of: citizen-based restoration, stewardship and education; ecologically sound implementation and evaluation; collaboration to help advance ecosystem-based management; and long-term stewardship.

The Organization is supported primarily by contributions, government grants and contracts.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 those estimates.

Financial Statement Presentation - The Organization is required to report information regarding its financial position and activities in the following net asset categories:

- Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions.
- Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.
- Permanently restricted net assets arise from contributions with restrictions from donors that do not expire and that allow, in certain cases, only the income earned thereon to be expended. At this time, the Organization has no permanently restricted net assets.

Concentrations of Credit Risk - The Organization maintains bank accounts at two financial institutions which are insured by the Federal Deposit Insurance Corporation up to $250,000 per institution. Although at times the amount on deposit in these accounts may exceed the federally insured limit, the Organization has never experienced any losses. At December 31, 2016, the Organization's deposits did not exceed the insured limit. At December 31, 2015, the Organization's deposits exceeded the federally insured limit by $257,903.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - The Organization considers all highly liquid investments purchased with original maturities of three months or less and any certificates of deposit that do not contain material early withdrawal penalties to be cash equivalents.

Cash restricted for long-term purposes is not considered a cash equivalent. Cash equivalents consist of a money market savings account of $185,665 and $469,067 at December 31, 2016 and 2015.

Receivables - Accounts, grants and contributions receivable are stated at the amount management expects to collect. Management reviews receivable balances at year end and establishes an allowance based on expected collections. Receivables are written off as a charge to the allowance when, in management’s estimation, it is probable that the receivable is worthless. No allowance for doubtful accounts was considered necessary at December 31, 2016 and 2015.

Equipment and Leasehold Improvements - Equipment and leasehold improvements are carried at cost, with the exception of donated equipment which is recorded at fair market value at the date of the gift. The Organization capitalizes all items over $500 which provide a future benefit. Depreciation is computed using the straight-line method. Maintenance and repairs are expensed as incurred. Major renewals or betterments that extend the lives of property and equipment are capitalized. Management reviews these assets for impairment whenever events or changes in circumstances indicate that the amount of an asset may not be recoverable. No impairment loss was recognized in 2016 or 2015.

In the absence of explicit donor restrictions regarding how long contributed assets must be used, the Organization reports expiration of donor restrictions when a contributed asset is placed in service.

Contribution Revenue Recognition - Contributions are recognized in the period when the donor makes an unconditional promise to give to the Organization. Conditional contributions are recognized when the conditions on which they depend have been met and the conditional promise becomes unconditional. Contributions are considered to be unrestricted unless specifically restricted by the donor.

Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a specific time restriction ends or a purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. If a temporary restriction is fulfilled during the same period in which the contribution is received, the contribution is reported as unrestricted.

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2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In-kind Contributions - Donated materials are recorded as contributions at their estimated fair market value in the period received. Donated services are recorded as contributions at their estimated fair value only if the services create or enhance a nonfinancial asset or if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Organization regularly receives donated services from many volunteers. However, no amounts have been recognized for these services because they do not meet the criteria described above.

Government Grants and Contracts - Government grants and contracts are generally considered exchange transactions and are recorded as revenue when earned. Revenue is earned when eligible expenditures are incurred, or when services are provided. Funds received but not yet earned are recorded as refundable advances.

Program Service Fees - Revenue from program service fees is recognized when services are provided. Amounts collected in advance of performing the services are recorded as refundable advances.

Allocation of Joint Costs - In 2015 the Organization received an in-kind contribution of advertising space. The advertising space was used to promote volunteerism and partnerships for program purposes as well as to solicit contributions. The joint advertising costs were allocated to program ($14,280) and fundraising ($7,140). There were no such costs in 2016.

Functional Expenses - Expenses have been allocated between program and supporting services classifications based upon direct expenditures and estimates made by management. Expenses which are common to program and to support services are allocated based on employee time allocations determined by management.

Income Taxes - The Organization is a Minnesota nonprofit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable Minnesota Statutes and is subject to income taxes only on net unrelated business income. The Organization did not have any unrelated business income in 2016 or 2015. The Organization believes that it has appropriate support for any tax positions taken, and accordingly, does not have any uncertain tax positions that are material to the financial statements.

Reclassifications - Certain amounts in the accompanying prior year financial statements have been reclassified to conform to the current year presentation.

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3. CONTRIBUTIONS RECEIVABLE AND CONDITIONAL GRANT

Contributions receivable at December 31, 2016 are due in 2017.

In June 2015, the Organization received a $20,000 conditional grant ($5,000 in 2015, $10,000 in 2016 and $5,000 in 2017) from McKnight Foundation provided matching funds are raised from new and increasing donors. The Organization received $10,000 in 2016 and $5,000 in 2015.

The remaining $5,000 of the conditional promise to give will be included in support when the conditions are substantially met.

4. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consist of:

	2016	2015	Estimated useful life in years
Furniture and fixtures	$ 41,736	$ 31,706	5
Equipment	147,737	141,868	3 - 5
Vehicles	101,313	95,017	5
Leasehold improvements	26,779	21,450	5
	317,565	290,041	
Accumulated depreciation	(229,403)	(206,283)	
	$ 88,162	$ 83,758	

5. LINE OF CREDIT

The Organization has a $150,000 demand line of credit agreement with Anchor Bank. Interest is payable monthly on the unpaid principal balance at an annual rate equal to the prime rate plus 1.75%. The variable rate has a floor of 5%. The agreement expires on July 10, 2018. There were no outstanding draws at December 31, 2016 and 2015. The line of credit is secured by all business assets.

6. VEHICLE NOTE PAYABLE

The Organization has a $22,000 note with Think Mutual Bank. Monthly payments, including interest at 1.75%, are due until maturity on June 15, 2019. The note is secured by a vehicle.

Maturities of the note are as follows:

2017	$ 4,443
2018	4,521
2019	2,333
	$ 11,297

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes:

	2016	2015
General operations – time restrictions	$ 35,000	$ 60,000
Program services	192,044	303,404
Computer equipment and technology	400	1,800
	$ 227,444	$ 365,204

Amounts restricted for computer equipment and technology are reported as cash restricted for long-term purposes.

8. RETIREMENT PLAN

The Organization sponsors a 401(k) plan under which eligible employees may elect to contribute pre-tax payroll deferrals of up to 75 percent of qualified compensation to the plan. The plan also allows for discretionary employer contributions, including a match. Matching contributions were $12,168 in 2016 and $13,272 in 2015.

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9. LEASE

The Organization occupies office space under a non-cancelable lease that expires on December 31, 2019. The lease requires monthly payments for base rent plus for the use of the garage. Rent expense was $30,815 in 2016 and $30,280 in 2015.

Required minimum future lease payments are $29,724 annually through 2019.

10. IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following:

	2016	2015
Program		
Restoration materials	$ 46	$ -
Field and event supplies	549	15
Auto and travel	26	24
Other expense	-	14,280
	621	14,319
Management and general		
Office supplies	801	575
Other expense	1,087	617
	1,888	1,192
Fundraising		
Other expense	266	7,140
	266	7,140
	$ 2,775	$ 22,651

11. CONCENTRATIONS

The Organization received $1,167,093 and $833,748 in 2016 and 2015 under government contracts with the Minnesota Department of Natural Resources (DNR). Receivables from the DNR were $199,152 and $86,652 at December 31, 2016 and 2015.

Approximately 51% and 37% of the contract partner services expenses in 2016 and 2015 were incurred with a single vendor.

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12. RELATED PARTIES

Certain members of the Organization's Board of Directors are employees of organizations that the Organization provided services to in the normal course of business. These transactions are reviewed annually by the Board Finance Committee and reported to the Board of Directors.

13. CONTINGENCY

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date. If, as the result of an audit, unallowable costs are identified, the disallowance will be recorded at the time the assessment for refund is made.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 20, 2017, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.