

GREAT RIVER GREENING
AUDITED FINANCIAL STATEMENTS
December 31, 2019 and 2018

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INDEPENDENT ACCOUNTANT'S AUDIT 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 statement of financial position as of, and the related statement of activities, cash flows and functional expense 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 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 Great River Greening as of December 31, 2019, 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.

Adjustments to Prior Period Financial Statements

The financial statements of Great River Greening as of December 31, 2018, were audited by other auditors whose report dated September 20, 2019, expressed an unmodified opinion on those statements. As discussed in Note 12 to the financial statements, the Organization has adjusted its 2018 financial statements to correct two errors. The other auditors reported on the financial statements before the adjustment.

As part of our audit of the 2019 financial statements, we also audited the adjustments to the 2018 financial statements to apply the correction of errors as described in Note 12. In our opinion, the adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to Great Rivers Greening's 2018 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2018 financial statements as a whole.

Harrington Langer & Associates

June 22, 2020

GREAT RIVER GREENING
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 312,658	\$ 276,056
Investments	-	11,504
Accounts receivable	743,919	765,055
Contributions receivable	-	35,000
Prepaid expenses	26,690	10,969
TOTAL CURRENT ASSETS	1,083,267	1,098,584
 PROPERTY AND EQUIPMENT, at cost		
Office equipment	115,328	109,195
Field equipment	79,312	79,312
Vehicles	131,313	101,313
	325,953	289,820
Less: accumulated depreciation	(270,007)	(244,085)
TOTAL PROPERTY AND EQUIPMENT, net	55,946	45,735
TOTAL ASSETS	\$ 1,139,213	\$ 1,144,319
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 235,558	\$ 150,563
Accrued expenses	90,043	74,293
Current maturities of long-term debt	-	2,193
Refundable advances	-	4,124
Deferred rent	23,990	19,079
TOTAL CURRENT LIABILITIES	349,591	250,252
 NET ASSETS		
Without donor restrictions	548,178	517,221
With donor restrictions	241,444	376,846
TOTAL NET ASSETS	789,622	894,067
TOTAL LIABILITIES AND NET ASSETS	\$ 1,139,213	\$ 1,144,319

GREAT RIVER GREENING
STATEMENT OF ACTIVITIES
For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 377,123	\$ 106,356	\$ 483,479	\$ 420,981	\$ 229,500	\$ 650,481
Government grants	2,302,235	-	2,302,235	1,093,720	-	1,093,720
Program service fees	227,337	-	227,337	332,165	-	332,165
Special events, net of expenses of \$122,954 and \$57,621, respectively	74,689	-	74,689	127,222	-	127,222
Other income	394	-	394	1,411	-	1,411
Net assets released from restrictions	241,758	(241,758)	-	321,940	(321,940)	-
TOTAL SUPPORT AND REVENUE	3,223,536	(135,402)	3,088,134	2,297,439	(92,440)	2,204,999
EXPENSES						
Program service	2,872,741	-	2,872,741	1,940,182	-	1,940,182
General and administrative	148,073	-	148,073	179,555	-	179,555
Fundraising and development	171,765	-	171,765	163,269	-	163,269
TOTAL EXPENSES	3,192,579	-	3,192,579	2,283,006	-	2,283,006
CHANGE IN NET ASSETS	30,957	(135,402)	(104,445)	14,433	(92,440)	(78,007)
NET ASSETS, BEGINNING OF YEAR	517,221	376,846	894,067	502,788	469,286	972,074
NET ASSETS, END OF YEAR	\$ 548,178	\$ 241,444	\$ 789,622	\$ 517,221	\$ 376,846	\$ 894,067

See notes to the financial statements

GREAT RIVER GREENING
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (104,445)	\$ (78,007)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	25,922	31,645
Gain on sale of equipment	-	(1,358)
Bad debt expense	19,241	-
Deferred excess straight line rent	4,911	19,079
(Increase) decrease in:		
Accounts receivable	1,895	67,252
Contributions receivable	35,000	35,000
Prepaid expenses	(15,721)	21,414
Restricted cash	-	25,000
Increase (decrease) in:		
Accounts payable	84,995	(194,723)
Accrued expenses	15,750	9,096
Refundable advances	(4,124)	(45,000)
	<u>63,424</u>	<u>(110,602)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(36,133)	(14,309)
Proceeds from sale of equipment	-	5,000
Sale (purchase) of investments	11,504	(11,504)
	<u>(24,629)</u>	<u>(20,813)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(2,193)	(4,604)
	<u>36,602</u>	<u>(136,019)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	276,056	412,075
	<u>276,056</u>	<u>412,075</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 312,658</u>	<u>\$ 276,056</u>

GREAT RIVER GREENING
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019 and 2018

	2019				2018			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 687,256	\$ 105,003	\$ 134,974	\$ 927,233	\$ 763,866	\$ 114,882	\$ 126,101	\$ 1,004,849
Payroll taxes	74,678	10,985	13,939	99,602	64,136	9,426	10,560	84,122
Employee benefits	60,426	3,229	10,822	74,477	104,289	12,916	9,486	126,691
Total personnel costs	822,360	119,217	159,735	1,101,312	932,291	137,224	146,147	1,215,662
Contract services	1,492,643	-	-	1,492,643	638,086	-	-	638,086
Restoration materials	267,584	-	-	267,584	171,222	-	-	171,222
Field supplies	55,770	-	539	56,309	59,013	5	832	59,850
Occupancy	47,438	5,784	4,627	57,849	47,070	6,308	5,030	58,408
Depreciation	20,738	2,851	2,333	25,922	25,632	3,165	2,848	31,645
Telephone	7,443	120	-	7,563	5,339	602	393	6,334
Printing	4,498	-	-	4,498	3,678	465	726	4,869
Postage	115	1,251	52	1,418	43	815	2	860
Office and computer	12,764	2,229	204	15,197	9,119	2,675	541	12,335
Professional services	85,260	13,789	2,587	101,636	19,612	16,282	5,333	41,227
Insurance	14,206	2,241	919	17,366	13,013	2,645	1,084	16,742
Staff development	2,304	326	20	2,650	-	-	-	-
Auto and travel	14,315	240	363	14,918	15,178	1,250	11	16,439
Bad debt expense	19,241	-	-	19,241	-	-	-	-
Special event expenses	-	-	122,954	122,954	-	-	57,621	57,621
Other	6,062	25	386	6,473	886	8,119	322	9,327
Total expenses by function	2,872,741	148,073	294,719	3,315,533	1,940,182	179,555	220,890	2,340,627
Less expenses included with revenues on the statement of activities	-	-	(122,954)	(122,954)	-	-	(57,621)	(56,121)
Total expenses included on the expense section on the statement of activities	\$ 2,872,741	\$ 148,073	\$ 171,765	\$ 3,192,579	\$ 1,940,182	\$ 179,555	\$ 163,269	\$ 2,284,506

See notes to the financial statements

GREAT RIVER GREENING
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mission

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 has ecological expertise in natural resource and water quality management, and in community building. The Organization focuses their work in locations and on activities that offer conservation impact, ecosystem services, and community benefits. Great River Greening's projects include:

- Native planting designs for developed and natural areas.
- Restoration and stabilization of shorelands and ravines.
- Ecological inventories and restoration management plans.
- Plantings of native trees, shrubs, wildflowers, and grasses.
- Restoration and management activities, including exotic species removal, prairie seed collection and sowing, and prescribed burns.
- Conservation practices on farmland for water quality.

Basis of Presentation

The accompanying financial statements are presented on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

GREAT RIVER GREENING
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Donated Services and 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 service create or enhance a nonfinancial asset or if the services require specialized skills, are provide 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 accounts receivable.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments with an original maturity of less than three months to be cash equivalents.

Accounts and Contributions Receivable

Bad debts are recorded on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. At December 31, 2019 and 2018, management considered all outstanding amounts to be fully collectible. Accordingly, there was no allowance for doubtful accounts. For the year ended December 31, 2019, the Organization recognized \$19,241 of bad debt expense.

GREAT RIVER GREENING
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are presented in the financial statements at fair value. Realized and unrealized gains and losses are included in investment income in the accompanying statement of activities.

Property and Equipment

All expenditures of \$500 or more for equipment and leasehold improvements and fair value of donated assets are capitalized. It is the Organization's policy to provide depreciation based on the estimated useful lives of 3-5 years for furniture, equipment, vehicles and leasehold improvements using the straight-line method.

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 and disclosures in these financial statements. Actual results could differ from those estimates.

Tax Exempt Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and similar Minnesota Statutes, except to the extent it has taxable income that is not related to its tax-exempt purpose. Unrelated business income is taxed at federal and state corporate income tax rates. The receipt of income from certain gambling activities are subject to taxation as unrelated business income. The Organization did not incur any income tax from unrelated business income.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) for any uncertain position that more likely than not would not be sustained upon examination by the applicable tax authorities. The Organization is subject to routine audits by taxing authorities; however, there are currently no audits for any tax periods in progress.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

GREAT RIVER GREENING
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications:

Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications had no effect on previously reported net assets.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 22, 2020, the date the financial statements were available to be issued. We noted no subsequent events except as disclosed herein.

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in the U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Organization is unable to determine if it will have a material impact to its operations.

NOTE 2. SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances with various local financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2019 and 2018, the Organization had uninsured cash balances of \$116,783 and \$0, respectively.

NOTE 3. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2019, net assets with restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
Purpose restricted		
Program services	\$ 198,058	\$ 294,081
Acquisition of utility terrain vehicle	-	30,000
Relocation and garage remodel	-	17,765
Time restricted-general operating	<u>43,386</u>	<u>35,000</u>
	<u>\$ 241,444</u>	<u>\$ 376,846</u>

GREAT RIVER GREENING
NOTES TO FINANCIAL STATEMENTS

NOTE 3. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2019 and 2018:

	2019	2018
Satisfaction of Purpose restriction		
Program service	\$ 158,993	\$ 230,753
Acquisition of utility terrain vehicle	30,000	-
Relocation and garage model	17,765	17,535
Satisfaction of time restricted -general operating	35,000	64,652
	\$ 241,758	\$ 312,940

NOTE 4. LEASE COMMITMENTS

The Organization occupied office and garage space under a non-cancelable lease that original expired on December 31, 2019. The lease required monthly payments for base rent plus for the use of the garage. The owner wished to use the leased office space for other purposes. Accordingly, the lease was modified effective January 1, 2018, to reduce the leased space to only the garage and extend the lease to December 31, 2022.

The Organization entered into an operating lease that commenced January 1, 2018 and expires March 31, 2028, with an option to renew for two additional three year periods at market rates. Under this lease, the Organization pays rent of \$4,394 per month, increasing 3% annually. Rent expense is recognized using the straight-line method over the initial term of the lease. The excess straight-line rent expense over the payments due under the lease is reported as deferred excess straight-line rent.

Rent expense under the leases was \$57,849 and \$57,813 for the years ended December 31, 2019 and 2018, respectively.

GREAT RIVER GREENING
NOTES TO FINANCIAL STATEMENTS

NOTE 4. LEASE COMMITMENTS (continued)

Future minimum base lease payments for the year ended December 31, 2019 are:

Year ending December 31,	Amount
2020	\$ 54,608
2021	56,315
2022	58,021
2023	59,727
2024	61,434
Thereafter	302,477
	\$ 592,582

NOTE 5. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets available for general expenditure within one year of December 31, 2019 and 2018:

	2019	2018
Financial Assets at Year-End		
Cash and cash equivalents	\$ 312,658	\$ 276,056
Investments	-	11,504
Accounts receivable	743,919	765,055
Contribution receivable	-	35,000
Total financial assets	1,056,577	1,087,615
Amounts not available to be used within one year		
Less net assets with donor restrictions	(241,444)	(376,846)
Net assets with restrictions to be met in less than one year	241,444	376,846
Financial assets available to meet general expenditures within one year	\$ 1,056,577	\$ 1,087,615

The Organization's goal is generally to maintain financial assets to meet 75 days of operating expenses.

GREAT RIVER GREENING
NOTES TO FINANCIAL STATEMENTS

NOTE 6. RETIREMENT PLAN

The Organization's employees who meet certain age and service requirements are eligible to participate in the Organization's 401(k) retirement plan. The Organization contributes up to 2.5% of a qualified employee's salary to the plan. For the years ended December 31, 2019 and 2018, the Organization contributed \$14,537 and \$13,515 to the plan, respectively.

NOTE 7. IN-KIND CONTRIBUTIONS

During year ended December 31, 2019, the Organization received in-kind contributions for a special event of \$84,744. Both the revenue and expense are reported on the statements of activities as special events revenue and expense.

During year ended December 31, 2018, the Organization received in-kind contributions for field and event supplies of \$1,317 and capitalized in-kind equipment for \$1,903.

NOTE 8. LINE OF CREDIT

The Organization has a \$150,000 demand line of credit agreement with Old National 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 September 10, 2020. There were no outstanding draws at December 31, 2019 and 2018. The line of credit is secured by all business assets.

NOTE 9. LONG-TERM DEBT

The Organization had a \$22,000 note with Think Mutual Bank. Monthly installments including interest at 1.75%, are due monthly. The note matured June 2019.

NOTE 10. CONCENTRATIONS

The Organization received \$1,803,661 and \$932,179 in 2019 and 2018 under government contracts with the Minnesota Department of Natural Resources (DNR). Receivables from the DNR were \$237,289 and \$452,006 at December 31, 2019 and 2018, respectively. Approximately 36% and 30% of the contract partner services expenses in 2019 and 2018 were incurred with a single vendor.

NOTE 11. RELATED PARTIES

A member of the Organization's Board of Directors is an employee of an organization that Great River Greening 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.

GREAT RIVER GREENING
NOTES TO FINANCIAL STATEMENTS

NOTE 12. CORRECTION OF ERRORS

The December 31, 2018 statement of financial position and statement of activities has been restated to correct for two errors: the over statement of accounts receivable and prepaid expenses. The effects of the restatements reduced accounts receivable by \$93,128 and prepaid expenses by \$12,880.

	Net Assets Without Donor Restrictions	Net Assets Without Donor Restrictions	Total Net Assets
	<u> </u>	<u> </u>	<u> </u>
Balance, December 31, 2018, as previously stated	\$ 623,229	\$ 376,846	\$ 1,000,075
Correction of errors	<u>(106,008)</u>	<u>-</u>	<u>(106,008)</u>
Balance, December 31, 2019, as restated	<u>\$ 517,221</u>	<u>\$ 376,846</u>	<u>\$ 894,067</u>