

GREAT RIVER GREENING

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012**

GREAT RIVER GREENING

FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

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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, 2013 and 2012, and the related statements of activities and changes in net assets, 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.

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, 2013 and 2012, 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.

*Mahoney Ulbrich
Christiansen Russ P.A.*

Saint Paul, Minnesota
June 18, 2014

GREAT RIVER GREENING

STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash	\$ 98,847	\$ 2,261
Accounts receivable	185,349	231,436
Contributions receivable	90,305	30,305
Grants receivable	170,497	162,990
Prepaid expenses and deposits	17,232	23,217
Equipment and leasehold improvements, net	43,049	24,551
Cash restricted for long-term purposes	<u>30,000</u>	<u>25,500</u>
 Total assets	 <u>\$ 635,279</u>	 <u>\$ 500,260</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 93,895	\$ 154,345
Accrued expenses	31,059	24,888
Refundable advances	<u>4,600</u>	<u>8,600</u>
 Total liabilities	 <u>129,554</u>	 <u>187,833</u>
Net assets:		
Unrestricted and undesignated	257,385	183,943
Temporarily restricted	<u>248,340</u>	<u>128,484</u>
 Total net assets	 <u>505,725</u>	 <u>312,427</u>
 Total liabilities and net assets	 <u>\$ 635,279</u>	 <u>\$ 500,260</u>

See Accompanying Notes to Financial Statements.

GREAT RIVER GREENING

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Support:						
Public support	\$ 317,604	\$ 247,765	\$ 565,369	\$ 226,625	\$ 95,350	\$ 321,975
Government grants	427,355	-	427,355	537,297	-	537,297
Other grants	-	-	-	5,000	-	5,000
In-kind contributions	8,486	-	8,486	26,502	-	26,502
Net assets released from restrictions	127,909	(127,909)	-	120,773	(120,773)	-
Program service fees:						
Government	509,479	-	509,479	453,275	-	453,275
Other	98,614	-	98,614	106,023	-	106,023
Special event (net of direct benefits to donors of \$20,464 in 2013 and \$9,219 in 2012)	40,646	-	40,646	34,708	-	34,708
Other income	108	-	108	4,519	-	4,519
Total support and revenues	<u>1,530,201</u>	<u>119,856</u>	<u>1,650,057</u>	<u>1,514,722</u>	<u>(25,423)</u>	<u>1,489,299</u>
Expenses:						
Program services	1,266,373	-	1,266,373	1,310,134	-	1,310,134
Management and general	127,157	-	127,157	120,562	-	120,562
Fundraising	63,229	-	63,229	57,696	-	57,696
Total expenses	<u>1,456,759</u>	<u>-</u>	<u>1,456,759</u>	<u>1,488,392</u>	<u>-</u>	<u>1,488,392</u>
Change in net assets includes capitalized items	73,442	119,856	193,298	26,330	(25,423)	907
Net assets - beginning of year	<u>183,943</u>	<u>128,484</u>	<u>312,427</u>	<u>157,613</u>	<u>153,907</u>	<u>311,520</u>
Net assets - end of year	<u>\$ 257,385</u>	<u>\$ 248,340</u>	<u>\$ 505,725</u>	<u>\$ 183,943</u>	<u>\$ 128,484</u>	<u>\$ 312,427</u>

See Accompanying Notes to Financial Statements.

GREAT RIVER GREENING

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2013 and 2012

	2013			Total
	Program Services	Management and General	Fundraising	
Salaries	\$ 485,536	\$ 86,075	\$ 47,595	\$ 619,206
Payroll taxes	56,206	9,134	5,606	70,946
Employee benefits	45,353	12,047	3,438	60,838
Total personnel expense	587,095	107,256	56,639	750,990
Occupancy	25,947	2,541	2,086	30,574
Office and computer supplies	4,300	1,226	632	6,158
Copying, printing and photography	421	1,555	563	2,539
Telephone	3,895	600	246	4,741
Postage and shipping	12	256	741	1,009
Contract partner services	441,106	-	-	441,106
Restoration materials	100,152	-	-	100,152
Field and event supplies	64,293	-	-	64,293
Professional services	2,984	8,350	292	11,626
Auto and travel	13,410	916	352	14,678
Other expense	2,135	2,534	877	5,546
Insurance	10,506	1,773	666	12,945
Depreciation	10,117	150	135	10,402
	<u>\$ 1,266,373</u>	<u>\$ 127,157</u>	<u>\$ 63,229</u>	1,456,759
Direct benefits to donors				<u>20,464</u>
Total expenses				<u>\$ 1,477,223</u>

2012

Program Services	Management and General	Fundraising	Total
\$ 450,952	\$ 81,818	\$ 42,895	\$ 575,665
54,829	9,043	5,294	69,166
36,094	9,708	2,625	48,427
541,875	100,569	50,814	693,258
25,832	2,526	2,073	30,431
4,082	1,658	422	6,162
916	1,013	921	2,850
3,871	400	498	4,769
477	562	955	1,994
532,243	-	-	532,243
109,636	-	-	109,636
52,314	-	-	52,314
3,353	7,794	319	11,466
11,708	669	331	12,708
4,471	3,597	582	8,650
10,847	1,667	684	13,198
8,509	107	97	8,713
<u>\$ 1,310,134</u>	<u>\$ 120,562</u>	<u>\$ 57,696</u>	1,488,392
			<u>9,219</u>
			<u>\$ 1,497,611</u>

See Accompanying Notes to Financial Statements.

GREAT RIVER GREENING

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2013 and 2012

Increase (Decrease) in Cash

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 193,298	\$ 907
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	10,402	8,713
In-kind contribution of equipment	-	(17,222)
Contributions restricted for long-term purpose	(4,500)	(25,500)
Changes in operating assets and liabilities:		
Accounts receivable	46,087	(109,986)
Contributions receivable	(60,000)	95,000
Grants receivable	(7,507)	(36,933)
Prepaid expenses and deposits	5,985	(3,763)
Accounts payable	(60,450)	53,893
Accrued expenses	6,171	3,292
Refundable advances	(4,000)	3,550
Net cash from operating activities	<u>125,486</u>	<u>(28,049)</u>
Cash flows from investing activities:		
Increase in cash restricted for long-term purposes	(4,500)	(25,500)
Purchase of equipment	(28,900)	(7,616)
Net cash from investing activities	<u>(33,400)</u>	<u>(33,116)</u>
Cash flows from financing activities:		
Contributions restricted for purchase of equipment	4,500	25,500
Proceeds from line of credit	77,000	363,472
Payment of line of credit	(77,000)	(363,472)
Net cash from financing activities	<u>4,500</u>	<u>25,500</u>
Net increase (decrease) in cash	96,586	(35,665)
Cash - beginning of year	<u>2,261</u>	<u>37,926</u>
Cash - end of year	<u>\$ 98,847</u>	<u>\$ 2,261</u>

See Accompanying Notes to Financial Statements.

GREAT RIVER GREENING

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

1. ORGANIZATION

Great River Greening (the Organization) is a Minnesota non-profit 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 contract fees.

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 one financial institution which is insured by the Federal Deposit Insurance Corporation up to \$250,000. 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, 2013 and 2012, the Organization's deposits did not exceed the federally insured limit.

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 \$95,025 and \$0 at December 31, 2013 and 2012, respectively.

(Continued)

GREAT RIVER GREENING

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2013 and 2012.

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.

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.

Donated Materials and Services - 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 - Government grants funds are generally considered exchange transactions and are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant is incurred. Funds received but not yet earned are recorded as refundable advances.

(Continued)

GREAT RIVER GREENING

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 non-profit 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 2013 or 2012. 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.

The Organization is not currently under examination by any taxing jurisdiction. Federal and state tax authorities generally have the right to examine returns for a period of three years after they are filed.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable are due in 2014.

In June 2011, the Organization received a \$20,000 conditional grant (\$5,000 in 2011, \$10,000 in 2012 and \$5,000 in 2013) from McKnight Foundation provided matching funds are raised from new and increasing donors. The Organization received \$5,000 and \$10,000 in 2013 and 2012, respectively.

In June 2013, the Organization received another \$20,000 conditional grant (\$5,000 in 2013, \$10,000 in 2014 and \$5,000 in 2015) from McKnight Foundation provided matching funds are raised from new and increasing donors. The Organization received \$5,000 in 2013.

The remaining \$15,000 of conditional promises to give will be included in support when the conditions are substantially met.

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GREAT RIVER GREENING

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

4. **GRANTS RECEIVABLE**

Grants receivable consists of the following at December 31:

	2013	2012
MN Department of Natural Resources	\$ 170,497	\$ 136,144
National Fish and Wildlife Foundation	-	26,846
	\$ 170,497	\$ 162,990

5. **EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

Equipment and leasehold improvements consist of:

	2013	2012
Furniture and fixtures	\$ 26,107	\$ 28,707
Equipment	138,458	115,311
Vehicle	48,509	48,509
Leasehold improvements	21,450	21,450
	234,524	213,977
Accumulated depreciation	(191,475)	(189,426)
	\$ 43,049	\$ 24,551

6. **LINE OF CREDIT**

The Organization has a \$100,000 demand line of credit note with Anchor Bank. Interest is payable monthly on the unpaid principal balance at an annual rate equal to the prime rate plus 1.750 percent. The variable rate has a floor of 5.0 percent. The agreement expires on July 10, 2015. The line of credit had a \$0 balance at December 31, 2013 and 2012. The note is secured by all business assets.

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GREAT RIVER GREENING

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

7. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are restricted for the following purposes:

	<u>2013</u>	<u>2012</u>
General operations – time restrictions	\$ 90,000	\$ 30,000
Program support	128,340	72,984
Computer equipment and technology	<u>30,000</u>	<u>25,500</u>
	<u>\$ 248,340</u>	<u>\$ 128,484</u>

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 have pre-tax payroll deferrals of up to 15 percent of qualified compensation contributed to the plan. The plan also allows for discretionary employer contributions, including a match. In May 2010, the Organization suspended the 401(k) match.

9. **LEASE**

The Organization occupies office space under a non-cancelable lease expiring on December 31, 2014. The lease requires monthly payments for base rent plus for the use of the garage. Rent expense was \$30,574 in 2013 and \$30,431 in 2012.

Future minimum lease payments required in 2014 total \$29,724.

10. **ECONOMIC DEPENDENCE**

Of its total 2013 revenue and support, the Organization received approximately 33% (\$550,575) from government contracts with the Minnesota Department of Natural Resources. Of its total 2012 revenue and support, the Organization received approximately 43% (\$635,713) from government contracts with the Minnesota Department of Natural Resources.

11. **RELATED PARTIES**

Certain members of the Board of Directors are employees of companies that the Organization provided services to in the normal course of business.

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GREAT RIVER GREENING

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

12. **IN - KIND CONTRIBUTIONS**

In-kind contributions consist of the following:

	2013	2012
Program		
Contract partner services	\$ 150	\$ 3,950
Restoration materials	4,054	2,231
Field and event supplies	4,236	1,505
Auto and travel	46	144
	8,486	7,830
Management and general		
Office supplies	-	577
Other expense	-	873
	-	1,450
Equipment	-	17,222
Total in-kind contributions	\$ 8,486	\$ 26,502

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.

14. **SUBSEQUENT EVENTS**

In May 2014, the Organization purchased a truck for \$42,000 and incurred debt of \$22,000 related to the purchase. The annual interest rate on the loan is 1.75% over a 60 month term.

Management has evaluated subsequent events through June 18, 2014, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.