

GREAT RIVER GREENING
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016

GREAT RIVER GREENING

FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

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Mahoney Ulbrich Christiansen Russ P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2017 and 2016, 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, 2017 and 2016, 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.

July 24, 2018

*Mahoney Ulbrich
Christiansen Russ P.A.*

GREAT RIVER GREENING

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 412,075	\$ 387,299
Accounts receivable	832,307	376,870
Contributions receivable	70,000	35,000
Prepaid expenses and deposits	32,383	21,733
Equipment and leasehold improvements, net	66,713	88,162
Cash restricted for long-term purposes	<u>25,000</u>	<u>400</u>
Total assets	<u>\$ 1,438,478</u>	<u>\$ 909,464</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 345,286	\$ 132,282
Accrued expenses	65,197	72,038
Refundable advances	49,124	8,338
Vehicle note payable	<u>6,797</u>	<u>11,297</u>
Total liabilities	<u>466,404</u>	<u>223,955</u>
Net assets:		
Unrestricted and undesignated	502,788	458,065
Temporarily restricted	<u>469,286</u>	<u>227,444</u>
Total net assets	<u>972,074</u>	<u>685,509</u>
Total liabilities and net assets	<u>\$ 1,438,478</u>	<u>\$ 909,464</u>

See Accompanying Notes to Financial Statements.

GREAT RIVER GREENING

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2017 and 2016

	2017		2016			
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Public support	\$ 309,229	\$ 461,581	\$ 770,810	\$ 318,747	\$ 106,788	\$ 425,535
Government grants and contracts	1,467,522	-	1,467,522	1,515,707	-	1,515,707
In-kind contributions	1,317	-	1,317	2,775	-	2,775
Net assets released from restrictions	219,739	(219,739)	-	244,548	(244,548)	-
Program service fees	286,548	-	286,548	134,107	-	134,107
Special events (net of direct benefits to donors of \$121,259 in 2017 and \$40,371 in 2016)	110,538	-	110,538	110,664	-	110,664
Other income	724	-	724	665	-	665
Total support and revenue	2,395,617	241,842	2,637,459	2,327,213	(137,760)	2,189,453
Expenses:						
Program services	2,064,910	-	2,064,910	2,001,253	-	2,001,253
Management and general	168,040	-	168,040	166,391	-	166,391
Fundraising	117,944	-	117,944	118,677	-	118,677
Total expenses	2,350,894	-	2,350,894	2,286,321	-	2,286,321
Change in net assets	44,723	241,842	286,565	40,892	(137,760)	(96,868)
Net assets - beginning of year	458,065	227,444	685,509	417,173	365,204	782,377
Net assets - end of year	\$ 502,788	\$ 469,286	\$ 972,074	\$ 458,065	\$ 227,444	\$ 685,509

See Accompanying Notes to Financial Statements.

GREAT RIVER GREENING

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2017 and 2016

	2017			2016				
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 686,428	\$ 110,955	\$ 93,963	\$ 891,346	\$ 620,645	\$ 112,039	\$ 94,777	\$ 827,461
Payroll taxes	62,053	9,197	8,104	79,354	57,531	9,604	8,476	75,611
Employee benefits	65,942	15,235	7,675	88,852	64,152	16,710	6,707	87,569
Total personnel expense	814,423	135,387	109,742	1,059,552	742,328	138,353	109,960	990,641
Occupancy	25,140	2,598	1,999	29,737	26,352	2,451	2,012	30,815
Office and computer supplies	9,542	4,438	858	14,838	10,275	2,091	1,408	13,774
Copying, printing and photography	4,403	531	436	5,370	3,177	893	837	4,907
Telephone	5,268	604	396	6,268	4,825	560	336	5,721
Postage and shipping	55	708	149	912	651	327	424	1,402
Contract partner services	972,055	-	-	972,055	861,755	-	-	861,755
Restoration materials	102,092	-	-	102,092	241,817	-	-	241,817
Field and event supplies	64,604	10	-	64,614	44,896	180	-	45,076
Professional services	8,435	14,794	1,153	24,382	9,211	11,450	1,397	22,058
Auto and travel	17,508	1,897	186	19,591	12,666	2,407	351	15,424
Other expense	1,841	3,152	621	5,614	5,091	4,572	291	9,954
Insurance	7,870	2,251	901	11,022	10,139	2,057	726	12,922
Depreciation	31,674	1,670	1,503	34,847	28,070	1,050	935	30,055
	<u>\$ 2,064,910</u>	<u>\$ 168,040</u>	<u>\$ 117,944</u>	<u>2,350,894</u>	<u>\$ 2,001,253</u>	<u>\$ 166,391</u>	<u>\$ 118,677</u>	<u>2,286,321</u>
Direct benefits to donors				<u>121,259</u>				<u>40,371</u>
Total expenses				<u>\$ 2,472,153</u>				<u>\$ 2,326,692</u>

See Accompanying Notes to Financial Statements.

GREAT RIVER GREENING

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

Increase (Decrease) in Cash

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 286,565	\$ (96,868)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	34,847	30,055
Contributions restricted for long-term purpose	(25,000)	-
Changes in operating assets and liabilities:		
Accounts receivable	(455,437)	(121,890)
Contributions receivable	(35,000)	25,000
Prepaid expenses and deposits	(10,650)	(1,246)
Accounts payable	213,004	45,563
Accrued expenses	(6,841)	33,531
Refundable advances	40,786	-
Net cash from operating activities	42,274	(85,855)
Cash flows from investing activities:		
Change in cash restricted for long-term purposes	(24,600)	1,400
Purchase of equipment and leasehold improvements	(13,398)	(34,459)
Net cash from investing activities	(37,998)	(33,059)
Cash flows from financing activities:		
Contributions restricted for purchase of equipment	25,000	-
Repayment of vehicle note payable	(4,500)	(4,372)
Net cash from financing activities	20,500	(4,372)
Net increase (decrease) in cash	24,776	(123,286)
Cash - beginning of year	387,299	510,585
Cash - end of year	\$ 412,075	\$ 387,299

See Accompanying Notes to Financial Statements.

GREAT RIVER GREENING

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

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, and program service 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 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, 2017 and 2016, the Organization's deposits did not exceed the insured limit.

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GREAT RIVER GREENING

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - The Organization considers 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 \$205,942 and \$185,665 at December 31, 2017 and 2016.

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, 2017 and 2016.

Lease Incentives – Lease modification incentives are amortized over the remaining term of the lease.

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 2017 or 2016.

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.

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GREAT RIVER GREENING

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Functional Expenses - Expenses that can be directly identified with the program or supporting services to which they relate are classified accordingly. 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 2017 or 2016. 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.

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GREAT RIVER GREENING

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2017 are due in 2018.

4. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consist of:

	2017	2016	Estimated useful life in years
Furniture and fixtures	\$ \$ 54,134	\$ \$ 41,736	5
Equipment	148,737	147,737	3 - 5
Vehicles	101,313	101,313	5
Leasehold improvements	26,779	26,779	5
	330,963	317,565	
Accumulated depreciation	(264,250)	(229,403)	
	\$ \$ 66,713	\$ \$ 88,162	

5. 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:

2018	\$	4,521
2019		2,276
	\$	6,797

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GREAT RIVER GREENING

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

6. 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 September 10, 2018. There were no outstanding draws at December 31, 2017 and 2016. The line of credit is secured by all business assets.

7. LEASES

The Organization occupied office space under a non-cancelable lease that expired on December 31, 2019. The lease required monthly payments for base rent plus for the use of the garage. Rent expense was \$29,737 in 2017 and \$30,815 in 2016. The landlord desired 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. As an incentive to modify the lease the landlord reduced the monthly rent payment for the garage from \$550 to \$1 and agreed to pay the Organization \$3,000.

The Organization has entered into another operating lease for new office space 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 receives the first three months rent-free, and then begins paying rent of \$51,195 per year (\$4,266 per month) increasing 3% annually.

Future minimum base lease payments required are as follows:

2018	\$	51,195
2019		52,902
2020		54,608
2021		56,314
2022		58,021
Thereafter		<u>315,703</u>
	\$	<u>588,743</u>

(Continued)

GREAT RIVER GREENING

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

8. IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following:

	2017	2016
Program services		
Restoration materials	\$ -	\$ 46
Field and event supplies	1,300	549
Auto and travel	17	26
	1,317	621
Management and general		
Office supplies	-	801
Other expense	-	1,087
	-	1,888
Fundraising		
Other expense	-	266
	-	266
	\$ 1,317	\$ 2,775

Additional in-kind contributions of \$73,663 were received in support of the Gala. The support and associated direct donor benefits are included in special events.

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes:

	2017	2016
General operations – time restrictions	\$ 261,960	\$ 35,000
Program services	172,026	192,044
Relocation and garage remodel	35,300	-
Computer equipment and technology	-	400
	\$ 469,286	\$ 227,444

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GREAT RIVER GREENING

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

10. 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 \$8,991 in 2017 and \$12,168 in 2016.

11. CONCENTRATIONS

The Organization received \$873,067 and \$950,755 in 2017 and 2016 under government contracts with the Minnesota Department of Natural Resources (DNR). Receivables from the DNR were \$478,538 and \$199,152 at December 31, 2017 and 2016. Approximately 29% and 51% of the contract partner services expenses in 2017 and 2016 were incurred with a single vendor.

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.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 24, 2018, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.