

**COALITIONS AND  
COLLABORATIVES, INC.**

**Financial Statements**

**For the Year Ended December 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Coalitions and Collaboratives, Inc.  
Lake George, Colorado

We have audited the accompanying financial statements of Coalitions and Collaboratives, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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 Coalitions and Collaboratives, Inc. 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.

### Report on Summarized Comparative Information

We have previously audited Coalitions and Collaboratives, Inc.'s 2018 financial statements, and our report dated September 20, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Emphasis of Matter

As described in Note A to the financial statements, in 2019, Coalitions and Collaboratives, Inc. adopted Accounting Standards Update (ASU) 2014-09, *(Topic 606): Revenue from Contracts with Customers*, ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10)*, and ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. Our opinion is not modified with respect to these matters.

*Waugh & Goodwin, LLP*

Colorado Springs, Colorado  
November 10, 2020

COALITIONS AND COLLABORATIVES, INC.  
Statement of Financial Position  
December 31, 2019  
(With Comparative Amounts for 2018)

	<u>ASSETS</u>	
	<u>2019</u>	<u>2018</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 107,097	\$ 242,627
Restricted cash	31,265	8,996
Grants receivable	143,653	64,949
Due from ARWC	9,248	
Due from CUSP	15,740	
Prepaid expenses	<u>20,614</u>	<u>15,698</u>
Total current assets	<u>327,617</u>	<u>332,270</u>
TOTAL ASSETS	<u>\$ 327,617</u>	<u>\$ 332,270</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 117,904	\$ 77,392
Due to CUSP	882	1,949
Accrued liabilities	91,546	50,473
Line of credit payable	18,707	37,690
Current portion of note payable - insurance	<u>14,160</u>	<u>10,027</u>
Total current liabilities	<u>243,199</u>	<u>177,531</u>
Total liabilities	243,199	177,531
NET ASSETS:		
Without donor restrictions	433	(43,821)
With donor restrictions	<u>83,985</u>	<u>198,560</u>
Total net assets	<u>84,418</u>	<u>154,739</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 327,617</u>	<u>\$ 332,270</u>

See Notes to Financial Statements

COALITIONS AND COLLABORATIVES, INC.  
Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Totals	2018 Totals
REVENUE AND SUPPORT:				
Government grants	\$ 662,298	\$	\$ 662,298	\$ 707,369
Management fees	641,583		641,583	468,484
Foundation & individual support	135,058	257,500	392,558	486,443
Other revenue	43,365		43,365	23,373
Front Range Roundtable	16,000		16,000	23,372
In-kind donations	70,000		70,000	29,320
Satisfied program restrictions	<u>372,075</u>	<u>(372,075)</u>		
Total revenue and support	1,940,379	(114,575)	1,825,804	1,738,361
EXPENSES:				
Program services:				
Collaborative development & conservation	1,283,028		1,283,028	333,560
Program operations	235,251		235,251	165,703
Forest health & fuels mitigation	<u>149,347</u>		<u>149,347</u>	<u>858,877</u>
Total program services	1,667,626		1,667,626	1,358,140
Supporting services:				
General & administrative	218,063		218,063	246,409
Financial development	<u>10,436</u>		<u>10,436</u>	<u>61,420</u>
Total supporting services	228,499		228,499	307,829
Total expenses	<u>1,896,125</u>		<u>1,896,125</u>	<u>1,665,969</u>
CHANGE IN NET ASSETS	44,254	(114,575)	(70,321)	72,392
NET ASSETS, beginning of year	<u>(43,821)</u>	<u>198,560</u>	<u>154,739</u>	<u>82,347</u>
NET ASSETS, end of year	<u>\$ 433</u>	<u>\$ 83,985</u>	<u>\$ 84,418</u>	<u>\$ 154,739</u>

See Notes to Financial Statements

COALITIONS AND COLLABORATIVES, INC.  
Statement of Functional Expenses  
For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

	Collaborative Development & Conservation	Program Operations	Forest Health & Fuels Mitigation	Total Program Services	General & Administrative	Financial Development	2019 Totals	2018 Totals
	\$	\$	\$	\$	\$	\$	\$	\$
Advertising								745
Bank, credit card & other fees					8,162		8,162	4,270
Books, subscriptions & reference	1,201			1,201	465		1,666	1,449
Conference, conventions & meetings			8,125	385,002	25,982	6	410,990	576,747
Contract & professional services	373,176	3,701						2,491
Cost share	56,592	13,439	19,834	89,865	7,174	374	97,413	90,214
Employee benefits								12,280
Equipment operation & rental	4,679	3,541	709	8,929	126		9,055	67,543
Event expense		67,543		67,543			67,543	43,436
Grants	150,293		10,000	160,293			160,293	26,259
Insurance	18,959	717	529	20,205	9,663	13	29,881	7,204
Miscellaneous expenses					65		65	4,875
Occupancy	2,325			2,325	2,325		4,650	16,547
Office expenses	1,266	2,269	1,538	5,073	9,915		14,988	
Other expenses	9,161			9,161			9,161	60,832
Payroll taxes	41,317	10,404	7,561	59,282	17,192	714	77,188	752,771
Salaries	588,032	126,601	98,591	813,224	135,340	9,329	957,893	6,875
Supplies	427	679		1,106	797		1,903	
Travel & meetings	35,600	6,357	2,460	44,417	857		45,274	54,379
	\$	\$	\$	\$	\$	\$	\$	\$
	<u>1,283,028</u>	<u>235,251</u>	<u>149,347</u>	<u>1,667,626</u>	<u>218,063</u>	<u>10,436</u>	<u>1,896,125</u>	<u>1,665,969</u>

See Notes to Financial Statements

COALITIONS AND COLLABORATIVES, INC.

Statement of Cash Flows

For the Year Ended December 31, 2019

(With Comparative Amounts for 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (70,321)	\$ 72,392
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Change in assets and liabilities:		
(Increase) decrease in assets:		
Grants receivable	(78,704)	(23,918)
Due from ARWC	(9,248)	
Due from CUSP	(15,740)	4,675
Prepaid expenses	(4,916)	728
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	81,585	52,131
Deferred revenue		(145,739)
Due to CUSP	(1,067)	1,612
Total adjustments	<u>(28,090)</u>	<u>(110,511)</u>
Net cash used by operating activities	(98,411)	(38,119)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in line of credit payable	(18,983)	37,690
Increase in note payable - insurance, net	<u>4,133</u>	<u>(895)</u>
Net cash provided (used) by financing activities	<u>(14,850)</u>	<u>36,795</u>
NET DECREASE IN CASH	(113,261)	(1,324)
CASH AND CASH EQUIVALENTS, beginning of year	<u>251,623</u>	<u>252,947</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 138,362</u>	<u>\$ 251,623</u>

See Notes to Financial Statements

COALITIONS AND COLLABORATIVES, INC.  
Notes to Financial Statements  
For the Year Ended December 31, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Coalitions and Collaboratives, Inc. (the Corporation) was incorporated in the state of Colorado in October 2014 and commenced operations in early 2015. The Corporation was originally established as a way of increasing on-the-ground, stakeholder-driven conservation.

Accounting Standards Update

On January 1, 2019, the Corporation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), (ASU 2014-09) and FASB ASU 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08). These two ASUs were adopted together as of January 1, 2019, because they both establish standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. Adopting one ASU without the other would leave the accounting for some ongoing grants and contracts unresolved. ASU 2014-09 was adopted retrospectively for all periods presented. Accordingly, there is no effect on net assets in connection with implementation of the two ASUs.

On January 1, 2019, the Corporation also adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, and subsequently issued related ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10)*, and elected early adoption for ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. These standards amend certain aspects of accounting and disclosure requirements for financial instruments, including the requirement that equity investments with readily determinable fair values are to be measured at fair value with

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Accounting Standards Update - continued

any changes in fair value recognized in the statement of changes in net assets. The standards were adopted using the modified retrospective method and there is no effect on net assets with the implementation of the three ASUs.

#### Grants Receivable

Accounts and grants receivable are recorded at the amount the Corporation expects to collect on balances outstanding at year end. Based on management's assessment of its history with agencies having outstanding balances and current relationships with them, it has concluded that losses realized on balances outstanding at year end will be immaterial; accordingly, no allowance for uncollectible accounts is maintained.

Grants receivable represent receivables from contracts with customers. Receivables from contracts with customers at the beginning and end of 2019 were \$64,949 and \$143,653, respectively.

Unrecorded conditional grants receivable were \$1,910,308 as of December 31, 2019.

#### Contributions

Contributions are recorded when received as without donor restrictions, with donor restrictions - temporary in nature, or with donor restrictions - perpetual in nature, depending on the existence or nature of any donor restrictions. When a donor restriction is met, net assets with donor restrictions - temporary in nature are reclassified to net assets without donor restrictions and reported in the statement of activities as satisfied program restrictions. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as unrestricted support.

Foundation and individual support are considered contributions.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Government Grants

The government grants are of two primary types: conditional contributions and contracts with customers. An agreement is a conditional contribution if its primary purpose is to enable the Corporation to provide a service to, or conduct research for, the water quality and ecological health of the watershed or the general public rather than to serve the direct needs of the granting or contracting party. In other words, the agreement is a conditional contribution if any benefit to the granting or contracting party is indirect and insubstantial as compared to the public benefit. In contrast, if the grant or contract provides a benefit directly to the granting or contracting party, the agreement is a contract with a customer. All of the Corporation's grants at December 31, 2019 were considered conditional contributions.

#### In-kind Contributions

The Corporation records various types of in-kind contributions. Contributed services are recognized if the services create or enhance non-financial assets or require specialized skills and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. During the years ended December 31, 2019 and 2018, \$71,898 and \$29,320, respectively, were recorded for contributed services.

#### Revenue from Contracts with Customers

*Management fees* - The Corporation receives management fees from CUSP and ARWC for payroll related costs. Revenue is recognized when the performance obligation is met, which is at the time the services are performed.

*Other Revenue and Front Range Roundtable* - Other revenue consists primarily of event revenue and cost sharing. Front Range Roundtable revenue consists of reimbursements for services performed. Revenue is recognized when the performance obligation is met, which is at the time of the event or at the time the services are performed.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Income Taxes

The Corporation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income tax on income related to its exempt purpose. Accordingly, no income tax provision has been recorded.

The Corporation's Form 990, Return of Organization Exempt from Income Tax, is subject to examination by various taxing authorities, generally for three years after the date it was filed. Management of the Corporation believes that it does not have any uncertain tax positions that are material to the financial statements.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of the Corporation's checking and savings accounts.

#### Functional Allocation of Expenses

The costs of providing 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. Some of the expenses which are allocated include salaries, payroll taxes, and benefits, which are allocated on the basis of time and effort.

#### Use of 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 of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

#### Economic Dependency

The Corporation is economically dependent on grants and contracts from several government agencies in order to sustain its operations at current levels.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Supplemental Cash Flow Disclosures

Cash flows from operating activities reflect interest paid of \$9,265 and \$3,408 during the years ended December 31, 2019 and 2018, respectively. No income taxes were paid either year.

#### Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through November 10, 2020, the date that the financial statements were available to be issued.

#### Prior-Year Comparisons

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

### B. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Corporation's financial assets available within one year of the Statement of Financial Position date for general expenditure are as follows:

	<u>2019</u>
Cash and cash equivalents	\$ 107,097
Grants receivable	<u>143,653</u>
	250,750
Less assets with donor restrictions:	
Programs	<u>(83,985)</u>
Financial assets available within one year	<u>\$ 166,765</u>

## Notes to Financial Statements

### B. LIQUIDITY AND AVAILABILITY OF RESOURCES - Continued

As described in Note D to the financial statements, the Corporation has a \$50,000 line of credit available to be used for general expenditures. As part of the Corporation'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. The primary investment objectives of the Corporation are to preserve and protect the Corporation's assets and to provide liquidity for operations.

### C. NOTE PAYABLE - INSURANCE

In September 2019, the Corporation signed a note payable to finance its insurance policies.

At December 31, 2019, the note payable consists of the following:

Note payable to First Insurance.

This note is unsecured and requires  
Monthly payments of \$1,705, including  
interest at 10.60%, through August,  
2020.

\$ 14,160

### D. LINE OF CREDIT

During the year ended December 31, 2017, the Corporation obtained a line of credit from a local bank. The line of credit is \$50,000, has an interest rate of ZB NA prime plus 9.99% and expires September 6, 2020. The line of credit is collateralized by certain assets of the Corporation. At December 31, 2019 and 2018, the balance outstanding on the line of credit was \$18,707 and \$37,690, respectively.

## Notes to Financial Statements

### E. NET ASSETS WITH DONOR RESTRICTION - TEMPORARY IN NATURE

Net assets with donor restriction - temporary in nature are available for the following purposes:

	<u>2019</u>	<u>2018</u>
Forest to faucets	\$ 68,399	\$ 117,392
Conservation and sustainability	11,353	
Collaborative development	4,233	21,249
Forests of the future		59,919
	<u>\$ 83,985</u>	<u>\$ 198,560</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2019 and 2018, net assets were released from temporary restrictions by satisfying the following restricted purposes:

	<u>2019</u>	<u>2018</u>
Forest to faucets	\$ 223,992	\$ 57,609
Conservation and sustainability	63,648	
Forests of the future	59,919	27,330
Collaborative development	24,516	28,751
Greenway Fund projects		58,014
Monitoring and assessment		5,831
	<u>\$ 372,075</u>	<u>\$ 177,535</u>

### F. RETIREMENT PLAN

The Corporation has adopted a SIMPLE retirement plan that covers all employees meeting specific age and length of service requirements. Employees may make discretionary contributions to the plan.

The Corporation matches each employee's contribution up to 3% of their earnings.

For the years ended December 31, 2019 and 2018, employer contributions to the plan amounted to \$16,073 and \$12,705, respectively.

## Notes to Financial Statements

### G. RELATED PARTIES

The Corporation's employees provide services for the Coalition for the Upper South Platte (CUSP) and Arkansas River Watershed Collaborative (ARWC) projects. The Corporation charges a management fee to CUSP and ARWC for employee time utilized, as well as respective payroll taxes, benefits, and workers compensation insurance. The Corporation invoices CUSP and ARWC for their share of general liability and director and officer insurance. CUSP was invoiced \$504,502 and \$468,996 for these services during the years ended December 31, 2019 and 2018, respectively. ARWC was invoiced \$188,993 and \$0 for these services during the years ended December 31, 2019 and 2018, respectively.

In addition, at December 31, 2019 and 2018, the Corporation had trade receivables due from CUSP in the amount of \$15,740 and \$0, respectively, and trade payables due to CUSP in the amount of \$882 and \$1,949, respectively. At December 31, 2019 and 2018, the Corporation had trade receivables due from ARWC in the amount of \$9,248 and \$0, respectively, and no trade payables.

The Corporation and the CUSP share five employees and three Board Members. The Corporation and ARWC share four employees and one board member.

At December 31, 2019 and 2018, the Corporation had trade payables due to the Executive Director in the amount of \$2,400 and \$12,031, respectively.

### H. SUBSEQUENT EVENT

Subsequent to year end, the outbreak of COVID-19 (coronavirus) has been recognized as a pandemic by the World Health Organization, and the outbreak has become increasingly widespread in the United States. The COVID-19 (coronavirus) outbreak has had a notable impact on general economic conditions, including but not limited to the temporary closures of many businesses, "shelter in place" and other governmental regulations and job losses. The extent to which the COVID-19 (coronavirus) outbreak will affect the operations, collections or financial results of the Corporation is uncertain.

## Notes to Financial Statements

### H. SUBSEQUENT EVENT - Continued

In April 2020, the Corporation received a \$208,500 loan from Vectra Bank, Colorado through the Small Business Administration's Paycheck Protection Program. A portion or all of loan may be forgiven by the Small Business Administration if all employees are kept on the payroll for at least eight weeks and at least 60% the money is used for payroll and the remaining amount is used for rent, mortgage interest, or utilities. Any portion of the loan that is not forgiven has a maturity of not less than two years and an interest rate of 1%. Loan payments are deferred for ten months.