

EAGLE RIVER WATERSHED COUNCIL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

EAGLE RIVER WATERSHED COUNCIL
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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TAYLORROTH

Certified Public Accountants

WORKING EXCLUSIVELY WITH NONPROFITS

July 11, 2023

INDEPENDENT AUDITORS' REPORT

Board of Directors
Eagle River Watershed Council
Gypsum, Colorado

Opinion

We have audited the accompanying financial statements of the **Eagle River Watershed Council** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Eagle River Watershed Council as of December 31, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Eagle River Watershed Council and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Eagle River Watershed Council's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Eagle River Watershed Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Eagle River Watershed Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We previously audited Eagle River Watershed Council's December 31, 2021 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated August 25, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial information from which it has been derived.

Taylor Roth and Company PLLC

TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
DENVER, COLORADO

EAGLE RIVER WATERSHED COUNCIL
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
<u>Assets</u>		
Cash and cash equivalents	\$ 288,206	\$ 473,626
Grants and contracts receivable	104,874	141,405
Prepaid expenses	3,239	4,755
Deposits	1,350	1,350
Interest in Land and Rivers Fund (Note 3)	15,394	49,198
Investments (Note 4)	133,887	6,671
Right-of-use asset (Note 5)	32,379	-
Property and Equipment (Note 6)	4,153	4,001
Total assets	\$ 583,482	\$ 681,006
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 49,205	\$ 97,271
Accrued payroll	33,764	42,026
Operating lease obligation (Note 5)	32,379	-
Total liabilities	115,348	139,297
<u>Net assets</u>		
Without donor restrictions	340,944	337,360
Board designated (Note 7)	15,000	-
With donor restrictions (Note 8)	112,190	204,349
Total net assets	468,134	541,709
Total liabilities and net assets	\$ 583,482	\$ 681,006

The accompanying notes are an integral part of these financial statements

EAGLE RIVER WATERSHED COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Government	\$ 214,047	265,612	\$ 479,659	\$ 426,871
Individuals	93,168	150	93,318	87,803
Foundations	26,568	44,400	70,968	46,180
Businesses and other non-profits	47,602	17,350	64,952	57,988
Special events	17,973	-	17,973	10,311
Less: direct event expenses	(5,091)	-	(5,091)	(3,331)
Land and Rivers 1%	2,512	-	2,512	22,208
Investment income	(358)	-	(358)	87
Note payable forgiveness	-	-	-	44,900
Other	-	-	-	67
In-kind contributions (Note 9)	-	-	-	4,948
Net assets released from restrictions (Note 10)	419,671	(419,671)	-	-
Total revenue and other support	<u>816,092</u>	<u>(92,159)</u>	<u>723,933</u>	<u>698,032</u>
<u>Expense</u>				
Program services	622,796	-	622,796	487,092
Supporting services				
Management and general	101,656	-	101,656	98,744
Fund-raising	73,056	-	73,056	61,961
Total expense	<u>797,508</u>	<u>-</u>	<u>797,508</u>	<u>647,797</u>
Change in net assets	18,584	(92,159)	(73,575)	50,235
Net assets, beginning of year	<u>337,360</u>	<u>204,349</u>	<u>541,709</u>	<u>491,474</u>
Net assets, end of year	<u>\$ 355,944</u>	<u>\$ 112,190</u>	<u>\$ 468,134</u>	<u>\$ 541,709</u>

The accompanying notes are an integral part of these financial statements

EAGLE RIVER WATERSHED COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022			2021	
	Supporting Services				
	Program	Management and General	Fund- raising	Total	Total
Salaries and wages	\$ 168,161	\$ 46,254	\$ 27,575	\$ 241,990	\$ 242,854
Payroll taxes and benefits	27,880	7,668	4,572	40,120	43,860
Hydrologic modeling consultants	131,910	-	-	131,910	58,983
Construction materials	95,860	-	-	95,860	83,705
Water quality consultants	61,759	-	-	61,759	58,672
Eagle River Fund consultants	-	-	30,930	30,930	28,003
Supplies	28,764	-	-	28,764	12,523
Accounting and audit	-	26,116	-	26,116	22,166
Advertising and marketing	16,695	4,592	2,738	24,025	9,639
Stakeholder engagement consultants	22,189	-	-	22,189	7,512
Lab fees	17,870	-	-	17,870	19,075
Rent	11,258	3,096	1,846	16,200	16,200
Strategic plan	8,611	2,369	1,412	12,392	-
Printing	4,580	1,260	751	6,591	4,700
Contract services	6,448	-	-	6,448	3,254
Information technology	4,196	1,154	688	6,038	12,114
Meals and entertainment	3,426	942	562	4,930	2,818
Travel	3,413	938	560	4,911	3,174
Staff development	3,109	855	510	4,474	2,044
Insurance	-	3,892	-	3,892	2,390
Telephone	1,566	431	257	2,254	1,150
Dues and subscriptions	377	1,369	224	1,970	1,974
Educational raft trip	1,500	-	-	1,500	4,840
All other	2,602	549	329	3,480	5,482
	<u>622,174</u>	<u>101,485</u>	<u>72,954</u>	<u>796,613</u>	<u>647,132</u>
Depreciation	<u>622</u>	<u>171</u>	<u>102</u>	<u>895</u>	<u>665</u>
Total	<u>\$ 622,796</u>	<u>\$ 101,656</u>	<u>\$ 73,056</u>	<u>\$ 797,508</u>	<u>\$ 647,797</u>

The accompanying notes are an integral part of these financial statements

EAGLE RIVER WATERSHED COUNCIL

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (73,575)	\$ 50,235
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	895	665
(Gain)loss on investments	382	-
Note payable forgiveness	-	(44,900)
 <u>Changes in operating assets and liabilities</u>		
(Increase)decrease in grants and contracts receivable	36,531	(81,152)
(Increase)decrease in interest in land and rivers fund	33,804	1,916
(Increase)decrease in prepaid expenses	1,516	(719)
(Increase)decrease in right of use assets	14,643	-
Increase(decrease) in accounts payable	(48,066)	90,250
Increase(decrease) in accrued payroll	(8,262)	(5,491)
Increase(decrease) in operating lease obligation	(14,643)	-
Net cash provided(used) by operating activities	(56,775)	10,804
 <u>Cash flows from investing activities</u>		
Reinvestment of earnings	-	(6,671)
Purchase of investments	(127,598)	-
Additions to property and equipment	(1,047)	-
Net cash provided(used) by investment activities	(128,645)	(6,671)
Net increase(decrease) in cash and cash equivalents	(185,420)	4,133
 Cash and cash equivalents, beginning of year	473,626	469,493
Cash and cash equivalents, end of year	\$ 288,206	\$ 473,626

The accompanying notes are an integral part of these financial statements

EAGLE RIVER WATERSHED COUNCIL

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 - NATURE OF ACTIVITIES

Eagle River Watershed Council (“the Organization”) was incorporated in the State of Colorado as a non-profit corporation, pursuant to Articles of Incorporation filed July 29, 2004. The mission of the Organization is to advocate for the health of the Upper Colorado and Eagle River basins through research, education, and projects. The Organization strives to protect and enhance the high quality natural, scenic, and economic values that our rivers and tributaries provide to the citizens, visitors, and wildlife of the Eagle River and Colorado River watersheds located in Eagle County, Colorado. The Organization draws the majority of its revenue from government grants and individuals.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The financial statements of the Organization, have been prepared in accordance with U.S. generally accepted accounting principles ("US 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, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents, except those amounts that are held in the investment portfolio which are invested for long term purposes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES – (Continued)

4. Government Contract Revenue and Receivable

Revenue is recognized to the extent that eligible expenses are incurred. These expenses are reimbursed by the funder. Often the timing results in a receivable due from the funding entity. Management believes that an allowance for uncollectable is not necessary.

5. Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. The fair value of donated assets is similarly capitalized. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

6. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

8. Functional Reporting of Expenses,

For the year ended December 31, 2022, the costs of providing the 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. Salaries and benefits are allocated based on the time spent in those areas. All other costs are assigned directly to the program or functional area benefited.

9. Leases

The Organization determines if an arrangement is or contains a lease at inception and whether they will be classified as an operating or finance lease based upon the accounting criteria. Leases are included in right of use (ROU) assets and lease obligations in the statement of financial position. ROU assets and lease obligations reflect the present value of future minimum lease payments over the lease term, and ROU assets are also included in prepaid or accrued rent. The Organization uses the rate implicit in the lease if determinable. When the rate implicit in the lease is not determinable, the Organization uses an incremental borrowing rate to determine the present value of future lease payments. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization applies the short-term lease exemption of not recognizing ROU assets and lease obligations for leases that have terms of 12-months or less. Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

10. Summarized Prior-Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

11. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

12. Recently Adopted Accounting Standard

In 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. As a result of adopting ASU No. 2016-02, the Organization recognized right of use assets and lease obligations of \$47,022 on January 1, 2022. The adoption had no impact on net assets and did not result in a significant effect on amounts reported in the statement of activities or statement of cash flows for the year.

13. Concentration of credit risk

Balances in the bank accounts may, from time to time, exceed federally insured limits. The Organization believes that its loss exposure is limited.

14. Subsequent events

Management has evaluated subsequent events through July 11, 2023, the date the financial statements were available to be issued.

NOTE 3 - INTEREST IN LAND AND RIVERS FUND

During 2018, the Organization entered into a joint venture agreement with the Eagle Valley Land Trust (EVLTL), a nonprofit corporation, to create, operate, and manage the Land and Rivers Fund (the Fund), a voluntary retail-based donation program focused on conserving rivers and open spaces for the Eagle Valley community. The Organization staffs the Fund and EVLTL holds all registered trade names. Net income from the Fund is distributed equally (50% to the Organization and 50% to EVLTL) on a quarterly basis. The Organization received \$2,512 during the year ended December 31, 2022, in net income distributions from the Fund. The total of \$15,394 due from the Fund at year end is reimbursable salary expenses net of \$411 due back to the Fund. Net assets of the Fund at December 31, 2022 were \$16,324. The financial statements of the Fund have not been consolidated in the Organization's financial statements.

NOTE 4 - INVESTMENTS

As of December 31, 2022, investments included:

<u>Description</u>	<u>Fair value</u>
Cash and money market	\$ 34,592
Certificates of deposit	99,295
Total	<u>\$ 133,887</u>

Investment income and account activity is summarized as follows:

<u>Description</u>	<u>Amount</u>
Beginning balance	\$ 6,671
Additions	127,598
Interest	377
Decline in market value	(759)
Net appreciation	(382)
Total	<u>\$ 133,887</u>

The Organization earned \$24 in interest on cash accounts during 2022.

NOTE 5 - OPERATING LEASE RIGHT OF USE ASSET AND LEASE OBLIGATION

The Organization entered into an operating lease agreement for office space in Gypsum, Colorado. Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 16,200
2024	16,200
2025	1,350
Total	33,750
Less amount representing interest	(1,371)
Present value of lease payments	<u>\$ 32,379</u>

The weighted average discount rate used to calculate the present value of future minimum lease payments was 3.86%. The weighted average lease term is 2.08 years as of year-end.

NOTE 5 - OPERATING LEASE RIGHT OF USE ASSET AND LEASE OBLIGATION (concluded)

Supplemental cash flow information follows:

Cash paid out for amounts included in lease liabilities	
Operating cash outflows from operating lease	\$ 16,200
Right of use assets obtained in exchange for lease liabilities	\$ 47,022

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of:

<u>Description</u>	<u>Amount</u>
Computer equipment	\$ 4,336
Leasehold improvements	2,500
Total	6,836
Less: accumulated depreciation	(2,683)
Net property and equipment	<u>\$ 4,153</u>

Depreciation expense for the year was \$895.

NOTE 7 - BOARD DESIGNATED

The Board has designated \$15,000 for clean-up events that will take place during 2023.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

<u>Description</u>	<u>Amount</u>
Water quality monitoring and assessment	\$ 74,631
Restoration projects	19,042
Other projects	6,481
Eagle river community water plan	5,701
Education programs	4,586
US Forest Service project	1,749
Total	<u>\$ 112,190</u>

NOTE 9 - IN-KIND CONTRIBUTIONS

No amounts have been reflected in the financial statements for donated services not requiring specific expertise. During the year, 1,224 volunteers donated 4,608 hours of non-professional level services. Management estimates the fair value of those services to be \$138,010.

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes:

<u>Description</u>	<u>Amount</u>
Water quality monitoring and assessment	\$ 104,416
Eagle river community water plan	75,696
Restoration projects	64,924
East Fork AOP	55,000
US Forest Service project	47,948
Education	37,287
Eagle river fund	34,400
Total	<u>\$ 419,671</u>

NOTE 11 - RETIREMENT PLAN

The Organization offers eligible employees the option to contribute to a regular 401K or a ROTH 401K plan and matches 3% of their base salary. The Organization includes a profit-sharing component to the plan which allows the Organization, at its sole discretion, to contribute up to a maximum of an additional 3% of participating employees base salary. During 2022, the Organization made contributions of \$14,717 to the plan.

NOTE 12 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2022:

<u>Description</u>	<u>Amount</u>
Cash and cash equivalents	\$ 288,206
Grants and contracts receivable	104,874
Interest in land and rivers fund	15,394
Investments	<u>133,887</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 542,361</u>

The Organization's goal is generally to maintain financial assets to meet six months of operating expenses which would approximate \$170,000. Management considers donor restricted contributions that will be used within one year as part of its ordinary operations as being available for general expenditures.