

GREAT RIVER GREENING
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017

GREAT RIVER GREENING

FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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.*

September 20, 2019

GREAT RIVER GREENING

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and equivalents	\$ 228,291	\$ 412,075
Investments	11,504	-
Accounts receivable	858,183	832,307
Contributions receivable	35,000	70,000
Prepaid expenses and deposits	23,849	32,383
Equipment and leasehold improvements, net	45,735	66,713
Cash restricted for long-term purposes	47,765	25,000
	<u> </u>	<u> </u>
Total assets	<u>\$ 1,250,327</u>	<u>\$ 1,438,478</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 150,563	\$ 345,286
Accrued expenses	74,293	65,197
Refundable advances	4,124	49,124
Vehicle note payable	2,193	6,797
Deferred excess straight line rent	19,079	-
	<u> </u>	<u> </u>
Total liabilities	<u>250,252</u>	<u>466,404</u>
Net assets:		
Without donor restrictions	623,229	502,788
With donor restrictions	376,846	469,286
	<u> </u>	<u> </u>
Total net assets	<u>1,000,075</u>	<u>972,074</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 1,250,327</u>	<u>\$ 1,438,478</u>

See Accompanying Notes to Financial Statements.

GREAT RIVER GREENING

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Support and revenue:						
Public support	\$ 417,761	\$ 229,500	\$ 647,261	\$ 309,229	\$ 461,581	\$ 770,810
Government grants and contracts	1,186,848	-	1,186,848	1,467,522	-	1,467,522
In-kind contributions	3,220	-	3,220	1,317	-	1,317
Net assets released from restrictions	321,940	(321,940)	-	219,739	(219,739)	-
Program service fees	332,165	-	332,165	286,548	-	286,548
Special events (net of direct benefits to donors of \$56,121 in 2018 and \$121,259 in 2017)	128,722	-	128,722	110,538	-	110,538
Other income	1,411	-	1,411	724	-	724
Total support and revenue	2,392,067	(92,440)	2,299,627	2,395,617	241,842	2,637,459
Expenses:						
Program services	1,929,734	-	1,929,734	2,064,910	-	2,064,910
Management and general	178,744	-	178,744	168,040	-	168,040
Fundraising	163,148	-	163,148	117,944	-	117,944
Total expenses	2,271,626	-	2,271,626	2,350,894	-	2,350,894
Change in net assets	120,441	(92,440)	28,001	44,723	241,842	286,565
Net assets - beginning of year	502,788	469,286	972,074	458,065	227,444	685,509
Net assets - end of year	<u>\$ 623,229</u>	<u>\$ 376,846</u>	<u>\$ 1,000,075</u>	<u>\$ 502,788</u>	<u>\$ 469,286</u>	<u>\$ 972,074</u>

See Accompanying Notes to Financial Statements.

GREAT RIVER GREENING

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31, 2018 and 2017

	2018				2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 763,866	\$ 114,882	\$ 126,101	\$ 1,004,849	\$ 686,428	\$ 110,955	\$ 93,963	\$ 891,346
Payroll taxes	64,136	9,426	10,560	84,122	62,053	9,197	8,104	79,354
Employee benefits	94,244	12,105	9,365	115,714	65,942	15,235	7,675	88,852
Total personnel expense	922,246	136,413	146,026	1,204,685	814,423	135,387	109,742	1,059,552
Occupancy	46,667	6,308	5,030	58,005	25,140	2,598	1,999	29,737
Office and computer supplies	9,119	2,675	541	12,335	9,542	4,438	858	14,838
Copying, printing and photography	3,678	465	726	4,869	4,403	531	436	5,370
Telephone	5,339	602	393	6,334	5,268	604	396	6,268
Postage and shipping	43	815	2	860	55	708	149	912
Contract partner services	638,086	-	-	638,086	972,055	-	-	972,055
Restoration materials	171,222	-	-	171,222	102,092	-	-	102,092
Field and event supplies	59,013	5	832	59,850	64,604	10	-	64,614
Professional services	19,612	16,282	5,333	41,227	8,435	14,794	1,153	24,382
Auto and travel	15,178	1,250	11	16,439	17,508	1,897	186	19,591
Other expense	886	8,119	322	9,327	1,841	3,152	621	5,614
Insurance	13,013	2,645	1,084	16,742	7,870	2,251	901	11,022
Depreciation	25,632	3,165	2,848	31,645	31,674	1,670	1,503	34,847
	<u>\$ 1,929,734</u>	<u>\$ 178,744</u>	<u>\$ 163,148</u>	2,271,626	<u>\$ 2,064,910</u>	<u>\$ 168,040</u>	<u>\$ 117,944</u>	2,350,894
Direct benefits to donors				<u>56,121</u>				<u>121,259</u>
Total expenses				<u>\$ 2,327,747</u>				<u>\$ 2,472,153</u>

See Accompanying Notes to Financial Statements.

GREAT RIVER GREENING

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

Increase (Decrease) in Cash and Equivalents

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 28,001	\$ 286,565
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	31,645	34,847
Gain on sale of equipment	(1,358)	-
Contributions restricted for long-term purpose	(30,000)	(25,000)
Deferred excess straight line rent	19,079	-
Changes in operating assets and liabilities:		
Accounts receivable	(25,876)	(455,437)
Contributions receivable	35,000	(35,000)
Prepaid expenses and deposits	8,534	(10,650)
Accounts payable	(194,723)	213,004
Accrued expenses	9,096	(6,841)
Refundable advances	(45,000)	40,786
Net cash from operating activities	(165,602)	42,274
Cash flows from investing activities:		
Change in cash restricted for long-term purposes	(22,765)	(24,600)
Purchase of investments	(11,504)	-
Proceeds from the sale of equipment	5,000	-
Purchase of equipment and leasehold improvements	(14,309)	(13,398)
Net cash from investing activities	(43,578)	(37,998)
Cash flows from financing activities:		
Contributions restricted for purchase of equipment	30,000	25,000
Repayment of vehicle note payable	(4,604)	(4,500)
Net cash from financing activities	25,396	20,500
Net increase (decrease) in cash and equivalents	(183,784)	24,776
Cash and equivalents - beginning of year	412,075	387,299
Cash and equivalents - end of year	\$ 228,291	\$ 412,075

See Accompanying Notes to Financial Statements.

GREAT RIVER GREENING

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

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

Adoption of New Accounting Pronouncement - FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* to address the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of its 2018 financial statements in accordance with the ASU and has applied the changes retrospectively to 2017. Accordingly, the unrestricted net assets class has been renamed net assets without donor restrictions and the temporarily restricted net assets class has been renamed net assets with donor restrictions. The amount of such net assets did not change. Footnote disclosures have been expanded as required by the ASU, including the addition of new disclosures about the liquidity and availability of resources (Note 3).

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 - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

(Continued)

GREAT RIVER GREENING

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction has elapsed, when a purpose restriction is accomplished, or both) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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, 2018 and 2017, the Organization's deposits did not exceed the insured limit.

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.

Investments – Investments in marketable securities are reported at fair value. Realized and unrealized gains and losses are reported as changes in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law.

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, 2018 and 2017.

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GREAT RIVER GREENING

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Equipment and Leasehold Improvements - Equipment and leasehold improvements are carried at cost. 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 2018 or 2017.

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Unless the donor has stipulated how long the corresponding property or equipment must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organizations reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

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.

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.

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GREAT RIVER GREENING

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

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 - The costs of providing program and supporting activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present expenses by functional and natural classifications. Expenses directly attributed to a specific functional area of the Organization are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates of employee time and effort.

Income Taxes - The Organization is a Minnesota nonprofit corporation, 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 2018 or 2017. 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.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2018	2017
Cash	\$ 266,195	\$ 412,075
Investments	11,504	-
Accounts receivable	858,183	832,307
Contributions receivable	35,000	70,000
Less net assets restricted for long term purposes	(47,765)	(35,300)
	<u>\$ 1,123,117</u>	<u>\$ 1,279,082</u>

The Organization's goal is generally to maintain financial assets to meet 75 days of operating expenses. The Organization monitors liquidity required to meet its operating needs and other commitments by reviewing the monthly financial statements and budget to actual activity. As part of the it's liquidity management, the Organization strives to invest excess cash in short-term investments, including money market accounts and certificates of deposit.

(Continued)

GREAT RIVER GREENING

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

3. LIQUIDITY AND AVAILABILITY (Continued)

The Organization also has a \$150,000 line of credit available to meet cash flow needs if required.

For purposes of analyzing resources available to meet general expenditures within one year of the statement of financial position date the Organization considers all expenditures related to the ongoing activities of its program services, as well as the conduct of services undertaken to support those activities, to be general expenditures. Capital expenditures are not considered general expenditures.

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2018 are due in 2019.

5. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consist of:

	2018	2017	Estimated useful life in years
Furniture and fixtures	\$ 44,994	\$ 54,134	5
Equipment	143,513	148,737	3 - 5
Vehicles	101,313	101,313	5
Leasehold improvements	-	26,779	5
	<u>289,820</u>	<u>330,963</u>	
Accumulated depreciation	<u>(244,085)</u>	<u>(264,250)</u>	
	<u>\$ 45,735</u>	<u>\$ 66,713</u>	

6. 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 and matures in 2019.

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GREAT RIVER GREENING

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

7. 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 on September 10, 2019. There were no outstanding draws at December 31, 2018 and 2017. The line of credit is secured by all business assets.

8. LEASES

The Organization occupied office and garage space under a non-cancelable lease that originally expired on December 31, 2019. The lease required monthly payments for base rent plus for the use of the garage. The landlord 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 located new office space and 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 receives the first three months rent-free, and then begins paying rent of \$51,195 per year (\$4,266 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 \$57,813 in 2018 and \$29,574 in 2017.

Future minimum base lease payments required are as follows:

2019	\$	52,902
2020		54,608
2021		56,314
2022		58,021
2023		59,728
Thereafter		<u>272,614</u>
	\$	<u><u>554,187</u></u>

(Continued)

GREAT RIVER GREENING

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

9. IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following:

	<u>2018</u>	<u>2017</u>
Program services		
Field and event supplies	\$ 1,300	\$ 1,300
Auto and travel	17	17
	<u>1,317</u>	<u>1,317</u>
Capitalized equipment	1,903	-
	<u>1,903</u>	<u>-</u>
	<u>\$ 3,220</u>	<u>\$ 1,317</u>

Additional in-kind contributions of \$73,663 were received in support of the Gala in 2017. The support and associated direct donor benefits are included in special events.

10. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2018</u>	<u>2017</u>
General operations – time restrictions	\$ 35,000	\$ 70,000
Program services	294,081	363,986
Acquisition of utility terrain vehicle	30,000	-
Relocation and garage remodel	17,765	35,300
	<u>\$ 376,846</u>	<u>\$ 469,286</u>

(Continued)

GREAT RIVER GREENING

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

11. 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 \$13,515 in 2018 and \$8,991 in 2017.

12. CONCENTRATIONS

The Organization received \$932,179 and \$873,067 in 2018 and 2017 under government contracts with the Minnesota Department of Natural Resources (DNR). Receivables from the DNR were \$452,006 and \$478,538 at December 31, 2018 and 2017. Approximately 30% and 29% of the contract partner services expenses in 2018 and 2017 were incurred with a single vendor.

13. 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.

14. 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 September 20, 2019, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.