

**FRIENDS OF THE COLORADO RIVER
FOUNDATION, INC.**
(Doing Business As Colorado River Alliance)

Financial Statements
(With Independent Auditors' Report Thereon)

June 30, 2016 and 2015



Independent Auditors' Report

To the Board of Directors
of the Friends of the Colorado River Foundation, Inc.
(d/b/a Colorado River Alliance)

We have audited the accompanying financial statements of the Friends of the Colorado River Foundation, Inc. d/b/a the Colorado River Alliance (the "Organization"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2016 and 2015, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

PMB HELIN DONOVAN, LLP*PMB Helin Donovan, LLP*

December 1, 2016
Austin, Texas

FRIENDS OF THE COLORADO RIVER FOUNDATION, INC.

Statements of Financial Position

As of June 30, 2016 and 2015

Assets	2016	2015
Cash and cash equivalents	\$ 262,535	\$ 167,466
Contributions receivable, net	7,587	109,813
Prepaid expenses	6,716	6,989
Property and equipment, net	317,705	376,313
Total assets	<u>\$ 594,543</u>	<u>\$ 660,581</u>
 Liabilities and Net Assets		
Accounts payable	\$ 13,973	\$ 7,696
Accrued expenses	6,043	230
Total liabilities	<u>20,016</u>	<u>7,926</u>
 Net assets		
Unrestricted	441,130	438,921
Temporarily restricted	133,397	213,734
Permanently restricted	-	-
Total net assets	<u>574,527</u>	<u>652,655</u>
 Total liabilities and net assets	 <u>\$ 594,543</u>	 <u>\$ 660,581</u>

See accompanying notes and independent auditors' report.

FRIENDS OF THE COLORADO RIVER FOUNDATION, INC.

Statement of Activities
Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Contributions	\$ 219,571	\$ 4,186	\$ -	\$ 223,757
Grants	15,000	165,817	-	180,817
Events	225,456	12,230	-	237,686
Net assets released from restrictions	<u>262,570</u>	<u>(262,570)</u>	-	-
Total revenues	<u>722,597</u>	<u>(80,337)</u>	-	<u>642,260</u>
 Expenses				
Program services:	454,387	-	-	454,387
Fundraising	223,792	-	-	223,792
Management and general	<u>42,209</u>	-	-	<u>42,209</u>
Total expenses	<u>720,388</u>	<u>-</u>	<u>-</u>	<u>720,388</u>
 Change in net assets	2,209	(80,337)	-	(78,128)
Net assets at beginning of year	<u>438,921</u>	<u>213,734</u>	-	<u>652,655</u>
Net assets at end of year	\$ <u>441,130</u>	\$ <u>133,397</u>	\$ -	\$ <u>574,527</u>

See accompanying notes and independent auditors' report.

FRIENDS OF THE COLORADO RIVER FOUNDATION, INC.

Statement of Activities
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Contributions	\$ 262,462	\$ 70,011	\$ -	\$ 332,473
Grants	-	337,453	-	337,453
Events	147,862	43,915	-	191,777
Net assets released from restrictions	673,609	(673,609)	-	-
Total revenues	1,083,933	(222,230)	-	861,703
Expenses				
Program services:	425,476	-	-	425,476
Fundraising	195,126	-	-	195,126
Management and general	30,445	-	-	30,445
Total expenses	651,047	-	-	651,047
Change in net assets	432,886	(222,230)	-	210,656
Net assets at beginning of year	6,035	435,964	-	441,999
Net assets at end of year	\$ 438,921	\$ 213,734	\$ -	\$ 652,655

See accompanying notes and independent auditors' report.

FRIENDS OF THE COLORADO RIVER FOUNDATION, INC.

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (78,128)	\$ 210,656
Adjustments to reconcile change in net assets to net cash provided by operations		
Depreciation on property and equipment	83,920	13,558
Changes in assets and liabilities		
Change in contributions receivable	102,226	(105,996)
Change in prepaid expenses	273	10,800
Change in accounts payable	6,277	(13,106)
Change in accrued expenses	5,813	(8,196)
Net cash provided by operating activities	<u>120,381</u>	<u>107,716</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>(25,312)</u>	<u>(231,717)</u>
Net cash used in investing activities	<u>(25,312)</u>	<u>(231,717)</u>
Net increase (decrease) in cash and cash equivalents	95,069	(124,001)
Cash and cash equivalents at beginning of year	167,466	291,467
Cash and cash equivalents at end of year	<u>\$ 262,535</u>	<u>\$ 167,466</u>

See accompanying notes and independent auditors' report.

FRIENDS OF THE COLORADO RIVER FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2016 and 2015

(1) Organization and Summary of Significant Accounting Policies

Organization

Friends of the Colorado River Foundation, Inc. d/b/a the Colorado River Alliance (the "Organization") was incorporated on March 11, 1992 and was organized as a non-profit organization. The Organization's primary mission is to promote education, protection, and stewardship of the Colorado River in Texas.

Summary of Significant Accounting Policies

(a) Basis of Presentation - The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP). For financial statement purposes, the Organization distinguishes between contributions of unrestricted assets, temporarily restricted assets and permanently restricted assets.

(b) Net Asset Classification - In accordance with GAAP, the Organization classifies its net assets into three categories as follows:

Permanently Restricted - Net assets subject to donor-imposed stipulations that these funds be maintained permanently as endowments by the Organization.

Temporarily Restricted - Net assets the use of which is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.

Unrestricted - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be used for any purpose or designated for specific purposes by action of the board.

(c) Contributions - Contributions received (including unconditional promises to give) are recorded as unrestricted, temporarily restricted, or permanently restricted support in the period pledged depending on the existence and/or nature of any donor restrictions. Conditional promises to give (grants) are recognized as the conditions upon which they depend are substantially met. Promises to give are recognized as revenue only if sufficient evidence exists in the form of verifiable documentation that a promise was made and received.

The Organization reports contributions as restricted support if the support is received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization reports all temporarily restricted gifts as increases in temporarily restricted net assets, even those in which the Organization meets restrictions in the same reporting period. Donated assets are recorded at their estimated fair values at the date of receipt.

Pledges with maturity dates due within 12 months are recorded at net realizable value, while pledges with maturity dates in subsequent years are recorded at the present value of their net realizable value using a risk free interest rate.

FRIENDS OF THE COLORADO RIVER FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2016 and 2015

(Continued)

- (d) Contributed Goods and Services** - Contributed goods and services are recorded at the fair value of the goods or services received.
- (e) Cash and Cash Equivalents** - Cash and cash equivalents consist of cash in interest bearing checking accounts and money market accounts. The Organization considers all highly liquid investments with a purchased maturity of three months or less, purchased for use primarily in operations, to be cash equivalents.
- (f) Property and Equipment** - Property and equipment purchased for or exceeding \$500 is recorded at cost. Property and equipment are depreciated using the straight-line method over the useful lives of the assets, usually five to seven years.
- (g) Functional Allocation of Expenses** - The costs of providing the activities of the Organization have been summarized on a functional basis and allocated in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
- (h) Concentration of Credit Risk** - Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and contributions receivable. The cash policy of the Organization limits the amount of credit exposure and requires that cash be placed with high credit quality financial institutions. From time to time bank balances may exceed the FDIC insured limits. For contributions receivable, the Organization performs ongoing credit evaluations of the donor's financial condition.
- (i) Income Taxes** - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except with respect to any unrelated business income. The Organization had no unrelated business income during the year. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if sustained upon examination by Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is generally not subject to IRS examinations for years prior to the past three years.
- (j) Fair Value of Financial Instruments** - The carrying value of certain financial instruments, including cash, cash equivalents, accounts payable and accrued expenses, approximate fair value due to the short maturity of these instruments.
- (k) Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America 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. Accordingly, actual results could differ from those estimates. The most sensitive estimates included the useful lives of property and equipment including depreciation, allowances on contributions, and the classification of functional expenses.

FRIENDS OF THE COLORADO RIVER FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2016 and 2015

(Continued)

(l) Recent Accounting Pronouncements - In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). This ASU requires a lessee to recognize on its balance sheet a right-of-use asset and a lease liability under most operating leases. This ASU is effective for annual and interim periods beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the effects that the adoption of this ASU 2016-02 will have on its financial position, results of operations, or cash flows.

In August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which decreases the number of net asset classes from three to two. The new classes will be net assets with donor restrictions and net assets without donor restrictions. The standard also:

- Requires reporting of the underwater amounts of donor-restricted endowment funds in net assets with donor restrictions and enhances disclosures about underwater endowments.
- Continues to allow preparers to choose between the direct method and indirect method for presenting operating cash flows, eliminating the requirement for those who use the direct method to perform reconciliation with the indirect method.
- Requires a not-for-profit to provide in the notes qualitative information on how it manages its liquid available resources and liquidity risks. Quantitative information that communicates the availability of a not-for-profit's financial assets at the balance sheet date to meet cash needs for general expenditures within one year is required to be presented on the face of the financial statement and/or in the notes.
- Requires reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature.

The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application, and early application of the standard is permitted. The Organization has elected not to early adopt this ASU as of June 30, 2016.

(m) Subsequent Events - The Organization evaluates events that occur subsequent to the statement of financial position date of periodic reports, but before financial statements are issued for periods ending on such dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which the Organization's financial statements are issued. For the financial statements as of and for the year ending June 30, 2016, this date was December 1, 2016.

(2) Contributions Receivable

Contributions receivable are stated at their realizable value net of a discount on long-term contributions and an allowance for uncollectible contributions. At June 30, 2016 and 2015, the Organization expected all receivables to be collectable within one year and has no allowance for uncollectible receivable balances.

FRIENDS OF THE COLORADO RIVER FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2016 and 2015

(Continued)

(3) In-Kind Donations

In-kind donations recorded as contribution revenue and expense consisted of the following for the years ended June 30, 2016 and 2015, respectively:

	<u>2016</u>	<u>2015</u>
Silent auction items	\$ 56,700	\$ 50,020
Office Space	7,500	7,500
Accounting and consulting services	-	8,372
Computer hardware	-	53,202
Special events-services and facilities	-	6,081
Total	<u>\$ 64,200</u>	<u>\$ 125,175</u>

(4) Property and Equipment

Property and equipment consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 36,360	\$ 35,386
Mobile Classroom	413,705	387,133
Total property and equipment	450,065	422,519
Less: accumulated depreciation	(132,360)	(48,364)
Property and equipment, net	317,705	374,155
Construction in progress	-	2,158
Total Property and equipment	<u>\$ 317,705</u>	<u>\$ 376,313</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$83,920 and \$13,558, respectively.

(5) Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following for the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Mediation Center and Barstow Speaker Series	\$ -	\$ 11,407
Bastrop Children's Education	3,255	3,255
Mobile Classroom	117,871	183,931
G2G	5,766	8,636
Other	6,505	6,505
Total	<u>\$ 133,397</u>	<u>\$ 213,734</u>

FRIENDS OF THE COLORADO RIVER FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2016 and 2015

(Continued)

(6) Lease Commitments

The Organization currently leases office space under an operating lease through August 31, 2016. During the years ended June 30, 2016 and 2015, the landlord donated the office space. This donation was recorded in contribution revenue and in-kind expense at \$7,500 for the years ended June 30, 2016 and 2015.

(7) Retirement Plan

The Organization has a defined contribution retirement plan for the benefit of its employees. The plan provides for both employer and employee contributions. Employer contributions made to the plan were \$13,424 and \$6,733 for the years ended June 30, 2016 and 2015, respectively.

(8) Concentrations

For the years ended June 30, 2016 and 2015, approximately 14% of the Organization's revenue consisted of contributions related to one funder in 2016 and two funders in 2015.

(9) Related Parties

Friends of the Colorado River Endowment, Inc. (the "Endowment") was incorporated on May 6, 1999 as a non-profit organization. The primary purpose of the Endowment is to hold and invest donations, and distribute income to or for the benefit of the Lower Colorado River Authority. The Organization received \$14,700 related to transactions with the Endowment during the year ended June 30, 2016.

Several of the Organization's board members are executives at companies that are major donors of the Organization, contributing \$28,670 and \$101,688 for the years ended June 30, 2016 and 2015. Other board members contributed in-kind donations of \$9,325 and \$16,060, and cash contributions of \$30,420 and \$13,808, for the years ended June 30, 2016 and 2015, respectively.

FRIENDS OF THE COLORADO RIVER FOUNDATION, INC.
Supplemental Schedule - Statements of Functional Expenses For the Years Ended
June 30, 2016 and 2015

	<u>Program Services</u>		<u>Fundraising</u>		<u>Management and General</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Salaries	\$ 205,906	\$ 182,466	\$ 69,822	\$ 54,615	\$ 29,671	\$ 19,200	\$ 305,399	\$ 256,281
Events	12,365	21,610	61,413	56,945	-	-	73,778	78,555
In-kind	5,529	16,644	58,029	54,134	643	1,195	64,201	71,973
Professional services	43,572	90,638	17,825	14,261	3,813	4,870	65,210	109,769
Insurance - medical	19,336	17,227	4,647	3,622	2,248	1,237	26,231	22,086
Payroll taxes	17,486	17,861	4,202	3,755	2,033	1,282	23,721	22,898
Meals and travel	15,298	15,389	625	834	303	285	16,226	16,508
Retirement plan contribution	9,895	5,252	2,378	1,104	1,151	377	13,424	6,733
Bank fees	1,017	4,278	244	899	118	307	1,379	5,484
Meeting expenses	2,254	3,711	542	780	262	266	3,058	4,757
Insurance - general	7,211	4,267	1,733	897	838	306	9,782	5,470
Printing	4,596	8,743	190	309	92	106	4,878	9,158
Office supplies	9,996	10,482	703	965	340	330	11,039	11,777
Dues and subscriptions	1,201	1,188	289	250	140	85	1,630	1,523
Computers	3,814	3,428	917	721	443	246	5,174	4,395
Postage	577	676	80	138	39	47	696	861
Telephone	245	893	59	188	29	64	333	1,145
Marketing	128	347	31	73	15	25	174	445
Depreciation	83,843	13,431	52	95	25	32	83,920	13,558
Equipment	9,504	-	-	-	-	-	9,504	-
Miscellaneous	614	6,945	11	541	6	185	631	7,671
Total	<u>\$ 454,387</u>	<u>\$ 425,476</u>	<u>\$ 223,792</u>	<u>\$ 195,126</u>	<u>\$ 42,209</u>	<u>\$ 30,445</u>	<u>\$ 720,388</u>	<u>\$ 651,047</u>

See accompanying notes and independent auditors' report.