

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

Financial Statements
(With Independent Auditors' Report Thereon)

June 30, 2015 and 2014



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, 2015 and 2014, 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years 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 11 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 8, 2015
Austin, Texas

FRIENDS OF THE COLORADO RIVER FOUNDATION, INC.

Statements of Financial Position

As of June 30, 2015 and 2014

Assets	2015	2014
Cash and cash equivalents	\$ 167,466	\$ 291,467
Contributions receivable, net	109,813	3,817
Prepaid expenses	6,989	17,789
Property and equipment, net	376,313	158,154
Total assets	<u>\$ 660,581</u>	<u>\$ 471,227</u>
 Liabilities and Net Assets		
Accounts payable	\$ 7,696	\$ 20,802
Accrued expenses	230	8,426
Total liabilities	<u>7,926</u>	<u>29,228</u>
Net assets		
Unrestricted	438,921	6,035
Temporarily restricted	213,734	435,964
Permanently restricted	-	-
Total net assets	<u>652,655</u>	<u>441,999</u>
Total liabilities and net assets	<u>\$ 660,581</u>	<u>\$ 471,227</u>

See accompanying notes and independent auditors' report.

FRIENDS OF THE COLORADO RIVER FOUNDATION, INC.

Statement of Activities
Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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	<u>673,609</u>	<u>(673,609)</u>	-	-
Total revenues	<u>1,083,933</u>	<u>(222,230)</u>	-	<u>861,703</u>
 Expenses				
Program services:	425,476	-	-	425,476
Fundraising	195,126	-	-	195,126
Management and general	<u>30,445</u>	-	-	<u>30,445</u>
Total expenses	<u>651,047</u>	<u>-</u>	<u>-</u>	<u>651,047</u>
 Change in net assets	432,886	(222,230)	-	210,656
Net assets at beginning of year	<u>6,035</u>	<u>435,964</u>	-	<u>441,999</u>
Net assets at end of year	<u>\$ 438,921</u>	<u>\$ 213,734</u>	<u>\$ -</u>	<u>\$ 652,655</u>

See accompanying notes and independent auditors' report.

FRIENDS OF THE COLORADO RIVER FOUNDATION, INC.Statement of Activities
Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Contributions	\$ 168,760	\$ 27,622	\$ -	\$ 196,382
Grants	-	139,241	-	139,241
Events	150,297	176,969	-	327,266
Net assets released from restrictions	<u>144,822</u>	<u>(144,822)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>463,879</u>	<u>199,010</u>	<u>-</u>	<u>662,889</u>
Expenses				
Program services	368,650	-	-	368,650
Fundraising	115,572	-	-	115,572
Management and general	<u>72,286</u>	<u>-</u>	<u>-</u>	<u>72,286</u>
Total expenses	<u>556,508</u>	<u>-</u>	<u>-</u>	<u>556,508</u>
Change in net assets	(92,629)	199,010	-	106,381
Net assets at beginning of year	<u>98,664</u>	<u>236,954</u>	<u>-</u>	<u>335,618</u>
Net assets at end of year	<u>\$ 6,035</u>	<u>\$ 435,964</u>	<u>\$ -</u>	<u>\$ 441,999</u>

See accompanying notes and independent auditors' report.

FRIENDS OF THE COLORADO RIVER FOUNDATION, INC.

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

Cash flows from operating activities:	<u>2015</u>	<u>2014</u>
Increase in net assets	\$ 210,656	\$ 106,381
Adjustments to reconcile increase in net assets to net cash provided by operations	-	
Depreciation on property and equipment	13,558	1,160
Changes in assets and liabilities		
Change in contributions receivable	(105,996)	105,000
Change in prepaid expenses	10,800	(6,918)
Change in accounts payable	(13,106)	17,111
Change in accrued expenses	(8,196)	1,614
Net cash provided by operating activities	<u>107,716</u>	<u>224,348</u>
 Cash flows from investing activities:		
Purchase of fixed assets	<u>(231,717)</u>	<u>(157,574)</u>
Net cash used in investing activities	<u>(231,717)</u>	<u>(157,574)</u>
 Net increase (decrease) in cash and cash equivalents	(124,001)	66,774
Cash and cash equivalents at beginning of year	291,467	224,693
Cash and cash equivalents at end of year	<u>\$ 167,466</u>	<u>\$ 291,467</u>

See accompanying notes and independent auditors' report.

FRIENDS OF THE COLORADO RIVER FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2015 and 2014

(1) Organization and Summary of Significant Accounting Policies

Organization

Friends of 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 that 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, 2015 and 2014

(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 the Organization has taken an uncertain position that more likely than not would not be 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, 2015, 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 no longer subject to tax examinations relating to US federal tax returns for years prior to 2012.
- (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.

FRIENDS OF THE COLORADO RIVER FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2015 and 2014

(Continued)

(1) **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, 2015, this date was December 8, 2015.

(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, 2015 and 2014, the Organization expected all receivables to be collectable and has no allowance for uncollectible receivable balances.

(3) **In-Kind Donations**

In-kind donations recorded as contribution revenue consisted of the following for the years ended June 30, 2015 and 2014, respectively:

	2015	2014
Silent auction items	\$ 50,020	\$ 48,547
Office Space	7,500	7,500
Accounting and consulting services	8,372	10,563
Software	-	1,776
Computer hardware	53,202	-
Special events-services and facilities	6,081	13,138
Total	<u>\$ 125,175</u>	<u>\$ 81,524</u>

(4) **Property and Equipment**

Property and equipment consist of the following at June 30, 2015 and 2014:

	2015	2014
Fixed Assets	\$ 35,386	\$ 35,386
Mobile Classroom	387,133	-
Total property and equipment	<u>422,519</u>	<u>35,386</u>
Less: accumulated depreciation	<u>(48,364)</u>	<u>(34,806)</u>
Property and equipment, net	374,155	580
Construction in progress	2,158	158,154
Total Property and equipment	<u>\$ 376,313</u>	<u>\$ 158,734</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$13,558 and \$1,160, respectively.

FRIENDS OF THE COLORADO RIVER FOUNDATION, INC.

Notes to the Financial Statements

June 30, 2015 and 2014

(Continued)

(5) Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following for the years ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
HHW Project	\$ -	\$ 89,890
Mediation Center and Barstow Speaker Series	11,407	24,716
Bastrop Children's Education	3,255	3,255
Mobile Classroom	183,931	311,599
G2G	8,636	-
Other	6,505	6,504
Total	<u>\$ 213,734</u>	<u>\$ 435,964</u>

(6) Lease Commitments

The Organization currently leases office space under an operating lease through August 31, 2016. During the years ended June 30, 2015 and 2014, the landlord donated the office space. This donation was recorded in contribution revenue and occupancy expense at \$7,500 for the years ended June 30, 2015 and 2014.

(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 \$6,733 and \$4,517 for the years ended June 30, 2015 and 2014, respectively.

(8) Concentrations

For the year ended June 30, 2015, approximately 24% of the Organization's revenue consisted of contributions related to two funders.

(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 \$15,000 related to transactions with the Endowment during the year ended June 30, 2015.

Several of the Organization's board members are executives at companies that are major donors of the Organization, contributing \$101,688 and \$194,212 for the years ended June 30, 2015 and 2014. Other board members contributed in-kind donations of \$16,060 and \$29,000, and cash contributions of \$13,808 and \$13,830, for the years ended June 30, 2015 and 2014, respectively.

FRIENDS OF THE COLORADO RIVER FOUNDATION, INC.
Supplemental Schedule - Statement of Functional Expenses For the Years Ended
June 30, 2015 and 2014

	<u>Program Services</u>		<u>Fundraising</u>		<u>Management and General</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Salaries	\$ 182,466	\$ 130,638	\$ 54,615	\$ 23,265	\$ 19,200	\$ 25,054	\$ 256,281	\$ 178,957
Events	21,610	12,669	56,945	56,017	-	-	78,555	68,686
In-kind	16,644	59,512	54,134	10,598	1,195	11,414	71,973	81,524
Professional services	90,638	98,472	14,261	17,537	4,870	18,886	109,769	134,895
Insurance - medical	17,227	7,906	3,622	1,408	1,237	1,517	22,086	10,831
Payroll taxes	17,861	10,180	3,755	1,813	1,282	1,953	22,898	13,946
Meals and travel	15,389	17,405	834	375	285	404	16,508	18,184
Retirement plan contribution	5,252	3,298	1,104	588	377	633	6,733	4,519
Bank fees	4,278	2,130	899	380	307	409	5,484	2,919
Meeting expenses	3,711	5,689	780	1,013	266	1,091	4,757	7,793
Insurance - general	4,267	2,266	897	404	306	435	5,470	3,105
Printing	8,743	6,221	309	211	106	227	9,158	6,659
Office supplies	10,482	3,809	965	362	330	389	11,777	4,560
Dues and subscriptions	1,188	715	250	128	85	138	1,523	981
Computers	3,428	2,437	721	434	246	468	4,395	3,339
Postage	676	933	138	167	47	179	861	1,279
Telephone	893	438	188	176	64	190	1,145	804
Marketing	347	987	73	78	25	84	445	1,149
Depreciation	13,431	847	95	151	32	162	13,558	1,160
Miscellaneous	6,945	2,098	541	467	185	8,653	7,671	11,218
Total	<u>\$ 425,476</u>	<u>\$ 368,650</u>	<u>\$ 195,126</u>	<u>\$ 115,572</u>	<u>\$ 30,445</u>	<u>\$ 72,286</u>	<u>\$ 651,047</u>	<u>\$ 556,508</u>

See accompanying notes and independent auditors' report.