



**ARKANSAS RIVER WATERSHED
COLLABORATIVE**
Financial Statements
For the Year Ended December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Arkansas River Watershed Collaborative
Lake George, Colorado

Opinion

We have audited the accompanying financial statements of Arkansas River Watershed Collaborative (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arkansas River Watershed Collaborative as of December 31, 2021, 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.

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 Arkansas River Watershed Collaborative 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.

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.

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 Arkansas River Watershed Collaborative'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 Responsibility

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 Arkansas River Watershed Collaborative'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 Arkansas River Watershed Collaborative's ability to continue as a going concern for a reasonable period of time.

Report on Summarized Comparative Information

We have previously audited Coalitions and Collaboratives, Inc.'s 2020 financial statements, and our report dated August 31, 2021, 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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.

Waugh & Goodwin, LLP

Colorado Springs, Colorado
September 21, 2022

ARKANSAS RIVER WATERSHED COLLABORATIVE
Statement of Financial Position
December 31, 2021
(With Comparative Amounts for 2020)

	<u>ASSETS</u>		<u>2021</u>		<u>2020</u>
CURRENT ASSETS:					
Cash and cash equivalents		\$	45,329	\$	114,277
Accounts and grants receivable			549,922		347,455
Due from related parties (Note D)			<u>1,992</u>		<u> </u>
TOTAL ASSETS		\$	<u>597,243</u>	\$	<u>461,732</u>
 <u>LIABILITIES AND NET ASSETS</u> 					
CURRENT LIABILITIES:					
Accounts payable		\$	546,566	\$	194,443
Due to related parties (Note D)			<u>16,036</u>		<u>22,406</u>
Total liabilities			562,602		216,849
NET ASSETS:					
Without donor restrictions			(33,951)		199,760
With donor restrictions			<u>68,592</u>		<u>45,123</u>
Total net assets			<u>34,641</u>		<u>244,883</u>
TOTAL LIABILITIES AND NET ASSETS		\$	<u>597,243</u>	\$	<u>461,732</u>

See Notes to Financial Statements

ARKANSAS RIVER WATERSHED COLLABORATIVE
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Totals	2020 Totals
REVENUE:				
Government grants and contracts	\$ 1,581,726	\$ 65,000	\$ 1,646,726	\$ 1,383,509
Contributions	8,848		8,848	504
Other revenue	3,045		3,045	115
Satisfied program restrictions	<u>41,531</u>	<u>(41,531)</u>		
Total revenue	1,635,150	23,469	1,658,619	1,384,128
EXPENSES:				
Program services:				
Forest health, fuels mitigation, and emergency management	1,753,453		1,753,453	1,092,230
Program operations	72,224		72,224	40,971
Monitoring, assessment, and planning	6,508		6,508	16,644
Collaborative development	<u>1,026</u>		<u>1,026</u>	
Total program services	1,833,211		1,833,211	1,149,845
Supporting services:				
General and administrative	30,933		30,933	176,546
Financial development	<u>4,717</u>		<u>4,717</u>	<u>16,440</u>
Total supporting services	<u>35,650</u>		<u>35,650</u>	<u>192,986</u>
Total expenses	<u>1,868,861</u>		<u>1,868,861</u>	<u>1,342,831</u>
CHANGE IN NET ASSETS	(233,711)	23,469	(210,242)	41,297
NET ASSETS, beginning of year	<u>199,760</u>	<u>45,123</u>	<u>244,883</u>	<u>203,586</u>
NET ASSETS, end of year	<u>\$ (33,951)</u>	<u>\$ 68,592</u>	<u>\$ 34,641</u>	<u>\$ 244,883</u>

See Notes to Financial Statements

ARKANSAS RIVER WATERSHED COLLABORATIVE
Statement of Functional Expenses
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	Forest health, Fuels Mitigation, & Emergency Management	Program Operations	Monitoring, Assessment, & Planning	Collaborative Development	Total Program Services	General & Administrative	Financial Development	2021 Totals	2020 Totals
Banking & credit card fees	\$	\$	\$	\$	\$	40	\$	40	\$ 171
Books, reference & software						4,633		4,633	4,906
Communications	20	507			527	282		809	1,312
Conference & meetings						46		46	296
Contract & professional services	1,536,080	2,672			1,538,752	7,175		1,545,927	1,039,707
Donation						509		509	500
Equipment operations & rental	2,553	5,042			7,595			7,595	19,736
Insurance						113		4,083	7,255
Materials & supplies	1,288	516			1,804	3,970		1,804	7,397
Miscellaneous expenses		70			107			107	150
Occupancy	1,229				1,229			1,229	1,312
Office expenses	203	419			622	3,110		3,732	6,127
Program management salaries, benefits & contracted services	198,814	62,720	6,467	1,026	269,027	11,168	4,686	284,881	245,857
Travel	13,196	198	41		13,435		31	13,466	8,105
	<u>\$ 1,753,453</u>	<u>\$ 72,224</u>	<u>\$ 6,508</u>	<u>\$ 1,026</u>	<u>\$ 1,833,211</u>	<u>\$ 30,933</u>	<u>\$ 4,717</u>	<u>\$ 1,868,861</u>	<u>\$ 1,342,831</u>

See Notes to Financial Statements

ARKANSAS RIVER WATERSHED COLLABORATIVE
Statement of Cash Flows
For the Year Ended December 31, 2021
(With Comparative Amounts for 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (210,242)	\$ 41,297
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Change in assets and liabilities:		
Increase in assets:		
Accounts and grants receivable	(202,467)	(150,670)
Due from related parties	(1,992)	
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	352,123	(8,877)
Due to related parties	<u>(6,370)</u>	<u>13,149</u>
Total adjustments	<u>141,294</u>	<u>(146,398)</u>
Net cash used by operating activities	<u>(68,948)</u>	<u>(105,101)</u>
NET DECREASE IN CASH	(68,948)	(105,101)
CASH AND CASH EQUIVALENTS, beginning of year	<u>114,277</u>	<u>219,378</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 45,329</u>	<u>\$ 114,277</u>

See Notes to Financial Statements

ARKANSAS RIVER WATERSHED COLLABORATIVE
Notes to Financial Statements
For the Year Ended December 31, 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Arkansas River Watershed Collaborative (the Corporation) was incorporated in the state of Colorado in November 2017. The Corporation grew out of the process of wildfire and its effects on water and communities. As fires in the Arkansas River Basin and across the state were becoming more intense and frequent, the need for organized community and agency partnerships to address impacts and preserve the health of our watersheds became clear and urgent. The Corporation is a response to these growing needs and a home for community-driven forest health, watershed health, and post-fire collaborative efforts. The Corporation is part of the Arkansas Basin Roundtable, a group of water managers and stakeholders working to find solutions to water-related issues in the basin. The Corporation is the nonprofit organization for the Roundtable, and Roundtable members serve as its Board of Directors. Feedback from throughout the basin echoed the need for solutions to watershed health concerns spanning a wide variety of locally-identified challenges and shaped the Corporation into what it is today. The Corporation was formed from, and is driven by, many voices.

The Corporation's service area spans all 23,000 square miles of the Arkansas River Basin, reaching from Leadville to the Colorado-Kansas border. The Corporation's work includes forest health and wildfire fuels mitigation, post-fire and flood recovery, stream management planning, stream restoration, collaborative development, and stakeholder engagement.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Corporation's checking, money market, and petty cash accounts.

Accounts and 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 no allowance for doubtful accounts was necessary at December 31, 2021 and 2020.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

No amounts recorded in accounts and grants receivable were considered receivables from contracts with customers at the beginning and end of the period.

Unrecorded conditional grants receivable at December 31, 2021 and 2020 were \$878,207 and \$489,610, respectively.

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, 2021 and 2020, no amount was recorded for contributed services or tangible assets in either year.

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.

Government Grants and Contracts

Government grants and contract revenue result from agreements, typically with government agencies, corporations, or foundations, that fund specific activities at the Corporation. The grants and contracts 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

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government Grants and Contracts - continued

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 and contracts at December 31, 2021 and 2020, were considered conditional contributions.

Revenue from Contracts with Customers

The Corporation did not receive any revenue that was considered revenue from contracts with customers.

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. 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.

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.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Economic Dependency

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

Supplemental Cash Flow Disclosures

Cash flows from operating activities reflect no interest or income taxes paid for the years ended December 31, 2021 and 2020.

Prior-Year Comparisons

The financial statements include certain prior-year summarized comparative information in total but not by net asset or functional expense class. 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 August 31, 2010, from which the summarized information was derived.

Certain reclassifications have been made to the prior-year amounts in order to conform to the current year financial statement format.

Date of Management's Review

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through September 21, 2022, the date that the financial statements were available to be issued.

Notes to Financial Statements

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>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 45,329	\$ 114,277
Accounts and grants receivable	<u>551,914</u>	<u>347,455</u>
	597,243	461,732
Less assets with donor restrictions:		
Monarch	40,000	
Lake County	<u>28,592</u>	<u>45,123</u>
Total financial assets available within one year	<u>\$ 528,651</u>	<u>\$ 416,609</u>

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. NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY IN NATURE

Net assets with donor restrictions - temporary in nature at December 31, 2021 and 2020, are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Lake County	\$ 28,592	\$ 45,123
Monarch	<u>40,000</u>	<u> </u>
	<u>\$ 68,592</u>	<u>\$ 45,123</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2021 and 2020, net assets were released for the following purposes:

	<u>2021</u>	<u>2020</u>
Lake County	\$ 41,531	\$ 14,377
Monarch	<u> </u>	<u>109,583</u>
Total satisfied restrictions	<u>\$ 41,531</u>	<u>\$ 123,960</u>

Notes to Financial Statements

D. RELATED PARTIES

During the years ended December 31, 2021 and 2020, the Corporation had \$1,992 and \$0 trade receivables due from Coalitions & Collaboratives, Inc. (COCO) and trade payables due to COCO in the amount of \$15,398 and \$22,339, respectively.

The Corporation pays a monthly management fee to COCO for employee time utilized, as well as the respective payroll taxes and related benefits. COCO invoices the Corporation for its share of general liability and director and officer insurance. During the years ended December 31, 2021 and 2020, the Corporation was invoiced \$268,396 and \$259,929, respectively, for management fees and insurance.

During the years ended December 31, 2021 and 2020, the Corporation had no trade receivables due from Coalition for the Upper South Platte (CUSP) and trade payables due to CUSP in the amount of \$638 and \$67, respectively.

The Corporation, CUSP and COCO share employees and may have common Board Members.

E. UNCERTAINTIES

The outbreak of coronavirus (COVID-19) has been recognized as a pandemic by the World Health Organization, and has become increasingly widespread in the United States. The COVID-19 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 outbreak will affect the operations, collections, or financial results of the Corporation is uncertain.

With the rising cost of inflation and potential risk of recession, it is uncertain what effect these factors may have on operations of the Corporation in the coming year.