

Clark Fork Coalition

Audited Consolidated Financial Statements

December 31, 2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Clark Fork Coalition
Missoula, MT

We have audited the consolidated financial statements of Clark Fork Coalition (a nonprofit corporation) and subsidiary which comprise the consolidated statement of financial position as of December 31, 2014 and the related consolidated statement of activities and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 whether the financial statements are free of 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 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 consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of Clark Fork Coalition and subsidiary as of December 31, 2014 and the consolidated changes in net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.


Rutherford, MacDonald & Olson
June 29, 2015

CLARK FORK COALITION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2014

ASSETS	Unrestricted Fund	Temporarily Restricted	Permanently Restricted	Total
CURRENT ASSETS				
Cash	\$ 197,191	\$ 167,800	\$ -	\$ 364,991
Certificate of deposit	101,717			101,717
Accounts receivable	188,989			188,989
Pledge receivable	-	212,500		212,500
Prepaid expense	14,956			14,956
Inventory	1,466			1,466
Total current assets	<u>504,319</u>	<u>380,300</u>	<u>-</u>	<u>884,619</u>
INVESTMENTS IN MARKETABLE SECURITIES				
Mutual funds	47,020			47,020
Total investments	<u>47,020</u>	<u>-</u>	<u>-</u>	<u>47,020</u>
PROPERTY & EQUIPMENT				
Land	40,000			40,000
Building & improvements	660,263			660,263
Equipment	183,874			183,874
Accumulated depreciation	(295,157)			(295,157)
Total property & equipment	<u>588,980</u>	<u>-</u>	<u>-</u>	<u>588,980</u>
OTHER ASSETS				
Deposit	5,575			5,575
Investment in Dry Cottonwood, LLC	133,146			133,146
Montana Community Foundation	2,806		4,698	7,504
Total other assets	<u>141,527</u>	<u>-</u>	<u>4,698</u>	<u>146,225</u>
TOTAL ASSETS	<u>\$ 1,281,846</u>	<u>\$ 380,300</u>	<u>\$ 4,698</u>	<u>\$ 1,666,844</u>
CURRENT LIABILITIES				
Accounts payable	\$ 161,526	\$ -	\$ -	\$ 161,526
Interest payable	1,062			1,062
Payroll liabilities	2,083			2,083
Accrued compensated absences	25,603			25,603
Current portion of debt	7,993			7,993
Total current liabilities	<u>198,267</u>	<u>-</u>	<u>-</u>	<u>198,267</u>
Long term debt, net of current portion	364,019			364,019
Total liabilities	<u>562,286</u>	<u>-</u>	<u>-</u>	<u>562,286</u>
NET ASSETS				
Unrestricted	719,560			719,560
Temporarily restricted		380,300		380,300
Permanently restricted			4,698	4,698
Total net assets	<u>719,560</u>	<u>380,300</u>	<u>4,698</u>	<u>1,104,558</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 1,281,846</u>	<u>\$ 380,300</u>	<u>\$ 4,698</u>	<u>\$ 1,666,844</u>

See accompanying notes and accountant's report.

**CLARK FORK COALITION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

REVENUES	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Contributions	\$ 117,752			\$ 117,752
Grants	880,462	\$ 380,300		1,260,762
Consulting income	256,367			256,367
Water Transaction reimbursement	72,938			72,938
Memberships	111,064			111,064
Realized gain on sale of investments	1,569			1,569
Unrealized loss on investments	(2,387)			(2,387)
Dry Cottonwood income	442			442
Dividends and interest income	3,093			3,093
Rental income	6,128			6,128
Merchandise, net of costs of \$168	144			144
Special events, net of costs of \$31,641	16,391			16,391
Miscellaneous income	962			962
Net assets released from restrictions	40,000	(40,000)		-
Total revenues	<u>1,504,925</u>	<u>340,300</u>	<u>-</u>	<u>1,845,225</u>
 EXPENSES				
Advertising	9,857			9,857
Bank & investment fees	1,909			1,909
Computer & website expenses	19,814			19,814
Condo fees	3,800			3,800
Dues & subscriptions	6,275			6,275
Employee benefits	43,913			43,913
Insurance	19,080			19,080
Interest expense	18,224			18,224
Meeting expense	4,732			4,732
Miscellaneous	826			826
Pension plan	14,526			14,526
Postage	2,529			2,529
Printing	10,329			10,329
Professional fees	322,516			322,516
Repairs and maintenance	9,752			9,752
Supplies	11,549			11,549
Taxes & licenses	1,016			1,016
Telephone	12,209			12,209
Training and classes	851			851
Travel	25,958			25,958
Utilities	3,688			3,688
Wages & payroll taxes	659,244			659,244
Water Conservation expense	217,277			217,277
Water Transaction expense	72,378			72,378
Depreciation	34,053			34,053
Total expenses	<u>1,526,305</u>	<u>-</u>	<u>-</u>	<u>1,526,305</u>
Increase (decrease) in net assets	(21,380)	340,300	-	318,920
Net assets - beginning of year	<u>740,940</u>	<u>40,000</u>	<u>4,698</u>	<u>785,638</u>
Net assets - end of year	<u>\$ 719,560</u>	<u>\$ 380,300</u>	<u>\$ 4,698</u>	<u>\$ 1,104,558</u>

See accompanying notes and accountant's report.

**CLARK FORK COALITION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Increase(decrease) in net assets	\$ (21,380)	\$ 340,300	\$ -	\$ 318,920
Adjustments to reconcile increase in net assets to net cash provided by operating activities				
Depreciation	34,053			34,053
Realized gain on sale of investments	(1,569)			(1,569)
Unrealized loss on investments	2,387			2,387
Partnership income	(442)			(442)
Donated stock	(7,124)			(7,124)
Decrease(increase) in				
Accounts receivable	(17,503)			(17,503)
Pledges receivable		(212,500)		(212,500)
Prepaid expense	(3,772)			(3,772)
Inventory	932			932
Deposit	(5,575)			(5,575)
Increase(decrease) in				
Accounts payable	134,343			134,343
Interest payable	63			63
Payroll liabilities	(5,659)			(5,659)
Accrued compensated absences	20			20
Deferred revenue	(27,000)			(27,000)
Net cash provided(used) by operating activities	<u>81,774</u>	<u>127,800</u>	<u>-</u>	<u>209,574</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net investment in Dry Cottonwood Ranch	(6,653)			(6,653)
Purchase of property and equipment	(39,562)			(39,562)
Purchase of investments	(9,800)			(9,800)
Purchase of long term certificate of deposit	(51,035)			(51,035)
Proceeds from sale of investments	15,591			15,591
Net cash used by investing activities	<u>(91,459)</u>	<u>-</u>	<u>-</u>	<u>(91,459)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Principal paid on long tem debt	(7,590)			(7,590)
Net cash used by financing activities	<u>(7,590)</u>	<u>-</u>	<u>-</u>	<u>(7,590)</u>
NET INCREASE(DECREASE) IN CASH	(17,275)	127,800	-	110,525
Cash - beginning of the year	<u>214,466</u>	<u>40,000</u>	<u>-</u>	<u>254,466</u>
Cash - end of the year	<u>\$ 197,191</u>	<u>\$ 167,800</u>	<u>\$ -</u>	<u>\$ 364,991</u>

Supplemental Disclosure of Noncash Investing and Financing Activities:

Interest of \$18,161 was paid during the year ended December 31, 2014

See accompanying notes and accountant's report.

CLARK FORK COALITION & SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2014

Note 1 - Significant Accounting Policies

Organization – Clark Fork Coalition is a nonprofit corporation dedicated to protecting and restoring the Clark Fork River basin, a 22,000 square mile area draining western Montana and northern Idaho. The Coalition focuses on cleaning up and restoring rivers and streams that have been harmed by industrial activities, land use practices, and resource development; protecting clean water from activities that threaten the ecological functioning of the river system; and enhancing people's knowledge of and connection to the river. To achieve its goals, the Coalition applies technical, scientific, legal and education expertise. The Organization's support comes primarily from individual donors' contributions, various foundation grants and government contracts and grants.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

The Organization has presented its financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. Under this guidance, the Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Promises to Give - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Management closely monitors outstanding balances and writes off all balances at the time when they are deemed to be uncollectible.

Contributed Services - The Organization does not recognize any support, revenue or expense from services contributed by volunteers. If any support, revenue or expense were recorded it would be determined based on the difference of any amount paid to an individual and the comparable compensation which would be paid to an individual if they were to occupy these paid positions.

Water Rights - The cost to acquire purchased or donated water rights is expensed as incurred. Clark Fork Coalition holds seventeen water rights at December 31, 2014 and monitors twelve water lease arrangements

Accounts Receivable - Accounts receivable include amounts billed on grants, contracts and utilities billed to building tenants. Management closely monitors outstanding balances and writes off all balances at the time they are deemed to be uncollectible.

Note 2 - Cash and Cash Equivalents – continued

At times, funds on deposit at a single financial institution may be in excess of the \$250,000 insured by the Federal Deposit Insurance Corporation.

Note 3 - Temporarily Restricted Net Assets

When restricted grants are received and the restrictions are met during the same period they are considered unrestricted for purposes of reporting on the statement of activities.

During 2013 grants were received to specifically fund various engagement activities. The fund had the following activity in 2014:

Balance, January 1, 2014	\$ 40,000
Grants received	380,300
Qualified expenses incurred	<u>(40,000)</u>
Balance, December 31, 2014	<u>\$ 380,300</u>

Note 4 - Investments

Long-term investments are stated at fair market value, determined by reference to quoted market prices and consist of marketable securities, including stocks and mutual funds. Fair market values and unrealized appreciation(depreciation) at December 31, 2014, are summarized as follows:

	Cost	Quoted Market Values (Level 1)	Unrealized Appreciation (Depreciation)
Mutual funds	<u>50,551</u>	<u>47,020</u>	<u>(3,531)</u>
	<u>\$ 50,551</u>	<u>\$ 47,020</u>	<u>(3,531)</u>
			912
			232
			<u>\$ (2,387)</u>

Note 5 - Special Events and Fundraisers

To engage communities in caring for the river, the Coalition organizes education and outreach events and donor appreciation gatherings throughout the year. The results during 2014 were as follows:

	Kid's Float & River Expo	River Cleanup	Raffle and Online Auction	Other Education and Outreach	Total
Revenues	\$ 4,580	\$ 27,250	\$ 11,585	\$ 4,617	\$ 48,032
Expenses	<u>(4,997)</u>	<u>(6,241)</u>	<u>(3,942)</u>	<u>(16,461)</u>	<u>(31,641)</u>
Net	<u>\$ (417)</u>	<u>\$ 21,009</u>	<u>\$ 7,643</u>	<u>\$ (11,844)</u>	<u>\$ 16,391</u>

Note 1 - Significant Accounting Policies - continued

Fixed Assets - Fixed assets are stated at cost. Expenditures for maintenance and repairs are charged to expenses as incurred; betterments are capitalized. Depreciation is computed using the straight-line method of depreciation over useful lives of 3 to 39 years as follows:

- Building - 39 years
- Improvements – 7 to 39 years
- Equipment – 3 to 7 years

Income Taxes - The Organization is a nonprofit organization and has been granted tax exempt status under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS, generally for three years after they were filed.

Cash Equivalents - The Organization considers demand deposits and time deposits with maturity dates of three months or less as cash equivalents.

Use of Estimates - The preparation of financial statements 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.

Investments - The Organization reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish standards for investment in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at their fair value with any realized or unrealized gains and losses reported in the statement of activities. Donated securities are recorded at market value on the day the security is received by the Organization.

Consolidation – The consolidated financial statements include the accounts of Clark Fork Restoration, LLC, a wholly owned subsidiary. All material inter-company accounts and transactions have been eliminated in the consolidation.

Inventory – The Organization's inventory consists of promotional items held for resale. Inventories are stated at cost on the first-in, first-out method.

Advertising – The Organization expenses advertising costs as they are incurred.

Note 2 - Cash and Cash Equivalents

Checking and money market funds consisted of the following at December 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
1st Security checking & other cash	\$ 92,804	\$ 167,800	\$ 260,604
Mountain West checking	25,289		25,289
Money markets	1,582		1,582
Certificate of deposits	77,516		77,516
	<u>\$ 197,191</u>	<u>\$ 167,800</u>	<u>\$ 364,991</u>

Note 6 - Rent Income

The Organization rents office space in their facility to other nonprofit organizations under lease agreements expiring in May, 2015. A total of \$6,128 was received in rent during the year. The future minimum rent expected under the current leases is as follows:

Year ending December 31, 2015	\$ 4,824
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Note 7 – Retirement Plan

The Organization adopted a SIMPLE IRA retirement plan for each employee who works half-time or more. The Organization matches up to 3% of the employee's contribution. Total contributions of \$14,526 were paid by the Organization during the year.

Note 8 – Compensated Absences

Employees of the Organization are entitled to paid vacation days depending on length of service and based upon full-time or part-time status. In accordance with generally accepted accounting standards, the Organization accrues vacation pay when earned. At the end of the calendar year employees may carry over one half of their unused personal time off, with the remainder paid out. If the carry over portion is not used, then the employees retain one half of the value of the leave at the end of the next year. Upon termination of employment for any reason, employees will be paid for all earned but unused vacation time at a rate equal to their current salary, but not to exceed the limit of one year of their current vacation entitlement. Accrued compensated absences at December 31, 2014 were \$25,603.

Note 9 – Long Term Debt

The Organization has the following loans at December 31, 2014:

Note payable due on demand or no later than February 7, 2018, payable in monthly installments of \$1,600 including a variable interest rate, based on the prime rate, subject to a floor of 4.75% and a ceiling of 8.75%, to be adjusted every three years (current rate of 4.75%). Secured by building.	\$ 241,012
5% note payable to a former board member. Interest only payments of \$546 due monthly. Principal due March 15, 2016.	<u>131,000</u>
Total long term debt	<u>372,012</u>
Less current portion	<u>(7,993)</u>
Long term debt, net	<u><u>\$ 364,019</u></u>

Note 9 - Long Term Debt (continued)

Maturities of long-term debt are as follows:

Year ended December 31, 2015	\$	7,923
2016		139,308
2017		8,711
2018		9,134
2019		9,577
Thereafter		197,359
Total long-term debt	\$	<u>372,012</u>

Note 10 - Related Party Transactions

The Organization at times will pay expenses for Dry Cottonwood, LLC, which Clark Fork Restoration, a wholly owned subsidiary, has an 11% ownership.

The Organization received management fees of \$50,000 from Dry Cottonwood, LLC. Clark Fork Coalition owes Dry Cottonwood, LLC \$420 at December 31, 2014 for program expenses paid by the ranch. The amount due is included in accounts payable at December 31, 2014. Clark Fork Restoration owes Dry Cottonwood, LLC \$54,975 at December 31, 2014. The amount is included in accounts payable at December 31, 2014.

The \$131,000 note payable is to a former board member of the Organization. The one was paid in full on June 8, 2015. See Note 9.

Note 11 – Investment in Dry Cottonwood, LLC

Clark Fork Restoration, a wholly owned subsidiary of Clark Fork Coalition, owns 11% of a 2,300-acre cattle ranch on the upper Clark Fork River. The ranch is in the midst of a large Superfund site. The Coalition is pioneering a large-scale remediation and restoration project on the ranch to secure landowner support for Superfund cleanup and restoration of the river and to demonstrate ranching techniques that improve ecological functioning and agricultural productivity.

The Organization records the investment using the equity method of accounting.

Equity, January 1, 2014	\$	126,051
Capital contribution		6,653
Income for 2014		442
Equity, December 31, 2014	\$	<u>133,146</u>

Summarized financial information as of December 31, 2014 is as follows:

Cash	\$	55,809
Receivables		55,005
Prepaid		475
Land & Improvements		1,558,492
Breeding head & equipment		431,451
Accumulated depreciation		(383,704)
Loan fees		7,000
Accumulated amortization		(1,090)
Total Assets	\$	<u>1,723,438</u>

Note 11 - Investment in Dry Cottonwood, LLC (continued)

Current liabilities	\$ 86,790
Long term debt	401,973
Member's equity	<u>1,234,675</u>
Total Liabilities & Members' Equity	<u>\$ 1,723,438</u>
Revenue	\$ 564,666
Expenses	(287,215)
Interest	(17,548)
Depreciation	(259,511)
Interest income	<u>3,624</u>
Net income	<u>\$ 4,016</u>
Clark Fork Coalition's 11% share	<u>\$ 442</u>

Note 12 – Permanently Restricted Net Assets

Montana Community Foundation – Clark Fork Coalition created the Clark Fork Coalition Endowment Fund (the Fund) to assist those benefactors who want to give a planned gift.

The Fund was established with the Montana Community Foundation (the Foundation) with funds contributed by both CFC and third party donors. Under the terms of the Fund agreement, the Foundation has variance power and is legal owner of the Fund. Also under the agreement, CFC is the beneficiary of the Fund and receives distributions of income from the Fund subject to the Foundation's distribution policy.

Under generally accepted accounting principles, the portion of the Fund contribution by CFC is considered a reciprocal transfer because CFC is also the beneficiary of the Fund. The assets contributed by CFC are reported as "Beneficial interest in assets held by Montana Community Foundation" on the Statement of Financial Position. The value was \$7,504 at December 31, 2014 of which \$4,698 was permanently restricted.

Under generally accepted accounting principles, the portion of the Fund contributed by unrelated third party donors is not a reportable transaction on the financial statements until funds are distributed by the Foundation to CFC. There is a balance of \$12,637 held at the Foundation under this arrangement at December 31, 2014.

Note 13 - Functional Expenses

Clark Fork Coalition incurred expenses in the conduct of the following functions during the year ended December 31, 2014:

Program activities	\$ 1,312,444
Management and general	149,614
Fundraising expense	<u>64,247</u>
Total expenses	<u>\$ 1,526,305</u>

Note 14 - Subsequent Events

The Organization has evaluated subsequent events through June 29, 2015, the date which the financial statements were available to be issued.

On June 8, 2015 the Organization paid off the \$131,000 note from a former board member.