FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

# <u>FINANCIAL STATEMENTS</u> FOR THE YEAR ENDED DECEMBER 31, 2016

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working exclusively with nonprofit organizations

April 13, 2017

#### Independent Auditors' Report

Board of Directors Thorne Nature Experience Boulder, Colorado

We have audited the accompanying financial statements of **Thorne Ecological Institute dba Thorne Nature Experience** (a Colorado nonprofit corporation), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, 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 the 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 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 about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures 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 Thorne Nature Experience as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

#### Report on Summarized Comparative Information

We have previously reviewed Thorne Nature Experience's 2015 financial statements and in our report dated April 25, 2016, stated that based on our procedures, we were not aware of any material modifications that should be made to the 2015 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. We are unaware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2015, for it to be consistent with the reviewed financial statements from which it has been derived.

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CERTIFIED PUBLIC ACCOUNTANTS

# STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2016 (WITH COMPARATIVE TOTALS FOR 2015)

	Audited 2016				R	Reviewed 2015				
	Ur	nrestricted		emporarily estricted		nanently tricted		Total		Total
<u>Assets</u>										
Cash and cash equivalents	\$	308,620	\$	153,040	\$	-	\$	461,660		394,224
Accounts receivable (Note 3)		7,318		( <del></del>		<b>=</b> 9		7,318		19,530
Grants and contributions receivable		<b>≘</b> 2		-		-		-		400
Pledges receivable (Note 4)		-		-		61,400		61,400		92,100
Bequest receivable (Note 6)		-		-	5	00,000		500,000		-
Prepaid expenses		17,411		-		_		17,411		11,631
Inventory (Note 5)		585		-				585		2,410
Assets held by others (Note 6)				-	4	71,085		471,085		400,143
Property and equipment (Note 7)		48,130		-				48,130		60,333
Total assets	\$	382,064		153,040	\$ 1,0	32,485	\$ 1	,567,589	\$	980,771
Liabilities and net assets										
Accounts payable	\$	10,655	\$	-	\$	-	\$	10,655	\$	19,371
Accrued payroll liabilities		17,883		=		-		17,883		14,753
Deferred revenue		10,082		-		-		10,082		12,426
Capital lease obligation (Note 8)		1,116				_	8)	1,116		3,187
Liabilities		39,736				1=		39,736		49,737
Net assets										
Unrestricted										
Operating		342,328		-		-		342,328		313,386
Temporarily restricted (Note 9)		_		153,040		-		153,040		94,705
Permanently restricted (Note 6)				_	1,0	32,485	1	,032,485		522,943
Total net assets	***	342,328		153,040	1,0	32,485	1	,527,853		931,034
Total liabilities and net assets	\$	382,064	_\$_	153,040	\$ 1,0	32,485	\$ 1	,567,589	\$	980,771

The accompanying are an integral part of these financial statements

# STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016 (WITH COMPARATIVE TOTALS FOR 2015)

	Audited 2016				Reviewed 2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue and other support					
Program fees	\$ 588,084	\$ -	\$ -	\$ 588,084	\$ 503,704
Bequest receivable	-	-	500,000	500,000	-
Foundations	76,650	89,000	-:	165,650	123,310
Government	1,750	159,797	<b>=</b> 0	161,547	66,496
Individual and board contributions	62,014	40,666	a1	102,680	89,343
Special events	24,767	46,911		71,678	65,176
Less: Direct event expenses	(11,884)	-	-	(11,884)	(10,554)
Corporate awards	32,451	15,000	-	47,451	47,851
Investment income (loss)	(817)	-	18,176	17,359	(5,046)
Earned income product sales	1,665	-	,	1,665	1,480
Other	-	-	-	-	37
In-kind contributions (Note 10)	39,186	-	-	39,186	28,872
Net assets released					
from restrictions (Note 11)	301,673	(293,039)	(8,634)	-	
Total revenue and other support	1,115,539	58,335	509,542	1,683,416	910,669
Expense					
Total program services	923,077	-	7.2	923,077	683,189
Supporting services					
Administration	24,552	-	=	24,552	26,237
Fund-raising	138,968			138,968	103,315
Total expense	1,086,597		1 <u>2</u>	1,086,597	812,741
Change in net assets	28,942	58,335	509,542	596,819	97,928
Net assets, beginning of year	313,386	94,705	522,943	931,034	833,106
Net assets, end of year	\$ 342,328	\$ 153,040	\$1,032,485	\$1,527,853	\$ 931,034

The accompanying notes are an integral part of these financial statements

# STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2016 (WITH COMPARATIVE TOTALS FOR 2015)

	Audited 2016				Reviewed 2015
	Supporting Services				
	Program Services	Manage- ment and General	Fund-raising	Total	Total
Salaries	\$ 452,165	\$ 15,016	\$ 78,700	\$ 545,881	\$ 442,745
Payroll taxes and benefits	94,064	1,727	8,252	104,043	83,090
Supplies	64,261	97	943	65,301	41,392
Contract labor	37,178	_	8,988	46,166	34,458
Design fees	41,500	-	-	41,500	52 1 <del>70</del> 2
Professional services	33,774	1	5,004	38,779	15,398
Transportation	32,451	8	161	32,620	31,964
Event expenses	9,446	-	17,365	26,811	7,492
Marketing	21,828	103	4,391	26,322	17,284
Credit card processing fees	12,293	6	4,391	16,690	13,889
Accounting and audit fees	10,203	4,937	1,000	16,140	13,407
Rent	12,320	241	1,139	13,700	13,600
Printing	12,508	186	990	13,684	7,956
Computer and information technology	11,202	233	1,098	12,533	11,374
Gifts and donations	10,567	129	648	11,344	9,138
Training and development	8,428	137	648	9,213	8,773
Meals and entertainment	7,275	110	756	8,141	7,573
Repair and maintenance	7,621	21	97	7,739	6,761
Registration fees	6,600	<b>=</b> 0	-	6,600	6,050
Licenses and permits	6,072	- <del>-</del>	-	6,072	3,702
Postage	3,459	31	1,382	4,872	4,181
Insurance	2,916	1,020	286	4,222	4,206
Telecommunications	3,046	61	289	3,396	3,465
Cost of goods sold	1,665	.=	-	1,665	1,480
Dues and subscriptions	989	21	580	1,590	668
Finance charges/interest	202	4	20	226	451
All other	1,141	91	86	1,318	2,004
	905,174	24,180	137,214	1,066,568	792,501
Depreciation	17,903	372	1,754	20,029	20,240
Total expenses	\$ 923,077	\$ 24,552	\$ 138,968	\$1,086,597	\$ 812,741

The accompanying notes are an integral part of these financial statements

# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016 (WITH COMPARATIVE TOTALS FOR 2015)

		Audited 2016	R	Reviewed 2015
Cash flows from operating activities			(6	
Change in net assets	\$	596,819	\$	97,928
Adjustments to reconcile change in net assets				
to net cash provided by operating activities				
Depreciation		20,029		20,240
Unrealized/realized (gain) loss on investments		(16,433)		4,624
Changes in operating assets and liabilities				
(Increase)decrease in accounts receivable		12,212		(2,965)
(Increase)decrease in grants and contributions receivable		400		1,200
(Increase)decrease in pledges receivable		30,700		30,700
(Increase)decrease in prepaid expenses		(5,780)		(5,422)
(Increase)decrease in inventory		1,825		1,110
(Decrease)increase in accounts payable		(8,716)		11,129
(Decrease)increase in accrued payroll liabilities		3,130		3,938
(Decrease)increase in deferred revenue		(2,344)		3,913
Net cash provided(used) by operating activities	·	631,842	§	166,395
Cash flows from investing activities				
(Purchases) of fixed assets		(7,826)		(8,377)
(Reinvestment) of interest and dividends		(8,476)		(5,919)
Administrative and investment management fees		6,734		6,317
Proceeds from sales of marketable securities		8,634		8,649
Net cash provided(used) by investing activities		(935)		670
Cash flows from financing activities				
(Repayments) on capital lease obligation		(2,071)		(1,875)
(Increase)decrease in bequests receivable		(500,000)		-
(Purchase) of permanently restricted investments		(61,400)		
Net cash provided(used) by financing activities		(563,471)		(1,875)
Net increase(decrease) in cash and cash equivalents		67,436		165,190
Cash and cash equivalents, beginning of year		394,224		229,034
Cash and cash equivalents, end of year		461,660	\$	394,224
Noncash investing and financing transactions:				
Cash paid during the period for interest	\$	226	\$	451
-	===			

The accompanying notes are an integral part of these financial statements

#### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

#### NOTE 1 - NATURE OF ACTIVITIES

Thorne Nature Experience (Organization) was incorporated as a non-profit corporation in the state of Colorado. Thorne Ecological Institute dba Thorne Nature Experience has been granted tax-exempt status from the Internal Revenue Service in accordance with section 501(c)(3) of the Internal Revenue Code. The Organization's mission is to build Earth Stewardship by connecting youth to nature through joyful, place-based, hands-on environmental education experiences. The Organization's activities are based in Boulder, Colorado and primarily consist of youth education programs. The Organization is primarily supported by program fees, foundation awards, government contracts and individual and board contributions.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

#### 1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

#### 2. Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

#### 3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

#### 4. Donations

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of 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 gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Concluded)

#### 5. Capitalization and Depreciation

The Organization follows a practice of capitalizing all expenditures for furniture and equipment in excess of \$1,000. The fair value of donated assets is similarly capitalized. Depreciation of furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

#### 6. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### 7. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

#### 8. Functional Reporting of Expenses

For the year ended December 31, 2016, the costs of providing the 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.

#### 9. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

#### 10. Fair Value Measurements

The Organization is subject to the provisions of the Fair Value Measurements and Disclosures accounting standard. This standard requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used the measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

#### 11. Subsequent Events

Management has evaluated subsequent events through April 13, 2017, the date the financial statements were available to be issued.

#### NOTE 3 - ACCOUNTS RECEIVABLE

At year-end, accounts receivable consists almost entirely of contracts with schools. Management has evaluated these items and does not believe an allowance for doubtful accounts is needed.

#### NOTE 4 - PLEDGES RECEIVABLE - PERMANENTLY RESTRICTED

The Organization has received pledges receivable from individuals as well as foundations restricted to the Oak Thorne Vision Fund (Note 6). Management has evaluated these items and does not believe an allowance for doubtful accounts is needed. Management also believes a present value discount would not be material to the financial statements. At year-end, pledges receivable were:

<u>Year</u>	Amount
2017	\$ 30,700
2018	30,700
Total	\$ 61,400

#### NOTE 5 - INVENTORY

Inventory, valued at the lower of cost or market consists of branded apparel and clothing held for sale to the public and use in organizational programs.

# NOTE 6 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS – PERMANENTLY RESTRICTED NET ASSETS

The Organization has established two endowment funds through The Community Foundation Serving Boulder County. The Organization has the option to withdraw annual income as well as principle from the first endowment. However, the original intent of the donors was to keep the funds permanently restricted and for this reason, the Organization has classified them as permanently restricted. Under the terms of the second agreement (Oak Thorne Vision Fund), the Organization has the option of requesting a distribution of up to 20% of the value of the Fund in any year. The balance of these funds at December 31, 2016 was \$99,927 and \$308,768 respectively.

Additionally, the Organization has established an endowment fund through the Denver Foundation. Under the terms of the agreement, the Foundation shall pay 6% of the market value of the fund, less administrative fees, at least annually to the Organization, unless the Organization declines the distribution. The balance of the endowment investments at December 31, 2016 was \$62,390.

Additionally, The Community Foundation Serving Boulder County accepts donations that are designated on behalf of the Organization. The balance of these funds, which is not reflected on the Statement of Financial Position was \$9,563 at year-end.

# NOTE 6 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS - PERMANENTLY RESTRICTED NET ASSETS (Concluded)

Changes in endowment fund balances (Level 3 inputs) as of December 31, 2016 are as follows:

Description	Amount
Balance, beginning of year	\$ 400,143
Additions	61,400
Dividend and interest income Net appreciation (depreciation) Management fees	8,476 16,433 (6,733)
Total investment return	<u> 18,176</u>
Distributions	(8,634)
Balance, end of year	\$ 471,085

As noted on the Statement of Financial Position, there is a \$500,000 bequest receivable to the Oak Thorne Vision Fund. The Organization will deposit these funds to that Fund in fiscal year 2017. Also as discussed in Note 4, the \$61,400 in pledges receivable are restricted for the Oak Thorne Vision Fund. The year-end endowment fund balance together with the pledges receivable brings permanently restricted net assets to a total of \$1,032,485 at December 31, 2016.

#### NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Amount</u>
\$ 57,158 44,652 11,080 9,352 8,591
130,833 (82,703) \$ 48,130

Depreciation expense for the year was \$20,029.

#### NOTE 8 - CAPITAL LEASE OBLIGATION

The Organization has acquired a photocopier under a capital lease agreement. Under this agreement future lease payments are as follows:

Year	<u>Amount</u>
2017	\$ 1,148
Less: interest	(32)
Present value of capital lease obligation	\$ 1,116

#### NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted nets assets are available for the following purposes:

Description	Amount
Summer camp	\$ 80,862
School program	67,178
Oak Thorne documentary	5,000
Total	\$ 153,040

#### NOTE 10 - IN-KIND CONTRBUTIONS

Donated services and supplies are reflected in the accompanying financial statements at their estimated values at the date of receipt.

Description	<u>Amount</u>
Rent	\$ 13,000
Advertising/marketing	11,133
Event expenses	4,857
Food for summer camp and/or school program	4,759
Buses for students	2,800
Supplies	937
Repairs and maintenance	750
Printing	550
Training and development	400
Total	\$ 39,186

The Organization has entered into an agreement with the Boulder Valley School District (BVSD) to use office space owned by the District. Under the terms of that agreement, Thorne is permitted to use the space free of charge in exchange for in-kind environmental education services that benefit BVSD and the city of Boulder. The lease began August 15, 2001 and may continue until July 1, 2019 unless one year's notice is provided to the Organization that they must vacate the building.

#### NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, net assets were released from donor restrictions by satisfying the following restricted purposes:

Description	Amount
Nature Kids	\$ 144,334
Summer camp	73,647
School program	67,299
Endowment transfers	8,634
Marsh	7,759
Total	\$ 301,673

#### NOTE 12 - PENSION PLAN

The Organization has adopted a 403(b) plan covering all eligible employees. The Organization matches contributions up to 3% of participants' compensation. Total pension expense during the year was \$11,394.

#### NOTE 13 - CONCENTRATION OF CREDIT RISK

The Organization places its cash with two financial institutions. Amounts over \$250,000 are not insured by the FDIC or related entity. At year-end, the Organization has \$262,828 on deposit with one of these institutions. Management has evaluated the strength of the financial institution and its banking needs and feels that it is prudent to continue its existing banking relationships.

#### NOTE 14 - CONCENTRATION OF SUPPORT

In 2016, \$500,000 or about 30% of the Organization's support was provided by one bequest. The Organization does not expect to receive regular contributions of that amount in the future.