

THORNE NATURE EXPERIENCE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

THORNE NATURE EXPERIENCE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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Taylor, Roth & Company, PLLC
Certified Public Accountants
working exclusively with nonprofit organizations

May 3, 2018

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, 2017, 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, 2017, 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 audited Thorne Nature Experience's 2016 financial statements presented by net asset class for that year, on which an unqualified audit opinion dated April 13, 2017, was expressed. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial information from which it has been derived.

Taylor, Roth and Company PLLC
TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

THORNE NATURE EXPERIENCE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Assets					
Cash and cash equivalents	\$ 400,507	\$ 387,381	\$ -	\$ 787,888	\$ 461,660
Accounts receivable (Note 3)	23,309	-	-	23,309	7,318
Grants receivable					
- temporarily restricted (Note 4)	-	80,000	-	80,000	-
Pledges receivable (Note 5)	-	-	30,500	30,500	61,400
Bequest receivable	-	-	-	-	500,000
Prepaid expenses	13,724	-	-	13,724	17,411
Inventory (Note 6)	440	-	-	440	585
Assets held by others (Note 7)	-	-	1,105,634	1,105,634	471,085
Property and equipment (Note 8)	44,905	-	-	44,905	48,130
Total assets	\$ 482,885	\$ 467,381	\$ 1,136,134	\$ 2,086,400	\$ 1,567,589
Liabilities and net assets					
Accounts payable	\$ 55,964	\$ -	\$ -	\$ 55,964	\$ 10,655
Accrued payroll liabilities	20,636	-	-	20,636	17,883
Deferred revenue	16,320	-	-	16,320	10,082
Capital lease obligation (Note 9)	7,537	-	-	7,537	1,116
Commitments (Note 10)					
Liabilities	100,457	-	-	100,457	39,736
Net assets					
Unrestricted					
Operating	382,428	-	-	382,428	342,328
Temporarily restricted (Note 11)	-	467,381	-	467,381	153,040
Permanently restricted (Note 7)	-	-	1,136,134	1,136,134	1,032,485
Total net assets	382,428	467,381	1,136,134	1,985,943	1,527,853
Total liabilities and net assets	\$ 482,885	\$ 467,381	\$ 1,136,134	\$ 2,086,400	\$ 1,567,589

The accompanying are an integral part of these financial statements

THORNE NATURE EXPERIENCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<u>Revenue and other support</u>					
Program fees	\$ 548,401	\$ -	\$ -	\$ 548,401	\$ 588,084
Government	700	505,860	-	506,560	161,547
Foundations	80,050	375,380	-	455,430	165,650
Individual and board contributions	113,115	20,575	-	133,690	102,680
Investment income (loss)	(35)	-	111,788	111,753	17,359
Special events	28,552	54,575	-	83,127	71,678
Less: Direct event expenses	(12,888)	-	-	(12,888)	(11,884)
Corporate awards	25,169	19,500	-	44,669	47,451
Earned income product sales	1,560	-	-	1,560	1,665
Gain on disposition of leased copier	1,116	-	-	1,116	-
Bequest receivable	-	-	-	-	500,000
In-kind contributions (Note 12)	83,340	-	-	83,340	39,186
Net assets released from restrictions (Note 13)	669,688	(661,549)	(8,139)	-	-
Total revenue and other support	1,538,768	314,341	103,649	1,956,758	1,683,416
<u>Expense</u>					
Total program services	1,356,184	-	-	1,356,184	923,077
Supporting services					
Administration	27,261	-	-	27,261	24,552
Fund-raising	115,223	-	-	115,223	138,968
Total expense	1,498,668	-	-	1,498,668	1,086,597
Change in net assets	40,100	314,341	103,649	458,090	596,819
Net assets, beginning of year	342,328	153,040	1,032,485	1,527,853	931,034
Net assets, end of year	<u>\$ 382,428</u>	<u>\$ 467,381</u>	<u>\$1,136,134</u>	<u>\$1,985,943</u>	<u>\$ 1,527,853</u>

The accompanying notes are an integral part of these financial statements

THORNE NATURE EXPERIENCE

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017			2016	
	Supporting Services				
	Program Services	Manage- ment and General	Fund-raising	Total	Total
Salaries	\$ 582,572	\$ 16,177	\$ 71,626	\$ 670,375	\$ 545,881
Payroll taxes and benefits	118,835	1,387	7,746	127,968	104,043
Passthrough grants to others	277,378	-	-	277,378	-
Supplies	64,676	62	636	65,374	65,301
Marketing	45,334	202	2,978	48,514	26,322
Rent	41,700	477	2,648	44,825	13,700
Transportation	41,985	7	268	42,260	32,620
Contract labor	33,433	-	5,587	39,020	46,166
Accounting and audit fees	12,374	6,920	945	20,239	16,140
Nature Kids expenses	20,104	-	-	20,104	-
Event expenses	1,318	-	15,379	16,697	26,811
Training and development	11,212	148	823	12,183	9,213
Computer and information technology	10,275	141	785	11,201	12,533
Printing	10,279	72	471	10,822	13,684
Repair and maintenance	10,381	31	170	10,582	7,739
Credit card processing fees	10,047	-	464	10,511	16,690
Gifts and donations	8,868	82	456	9,406	11,344
Meals and entertainment	6,357	75	606	7,038	8,141
Licenses and permits	6,630	-	3	6,633	6,072
Registration fees	6,600	-	-	6,600	6,600
Postage	3,766	21	954	4,741	4,872
Insurance	3,125	999	239	4,363	4,222
Telecommunications	3,027	39	216	3,282	3,396
Cost of goods sold	1,560	-	-	1,560	1,665
Professional services	1,235	-	-	1,235	38,779
Dues and subscriptions	549	8	490	1,047	1,590
Finance charges/interest	382	5	29	416	226
Design fees	-	-	-	-	41,500
All other	1,545	124	128	1,797	1,318
	1,335,547	26,977	113,647	1,476,171	1,066,568
Depreciation	20,637	284	1,576	22,497	20,029
Total expenses	\$ 1,356,184	\$ 27,261	\$ 115,223	\$1,498,668	\$ 1,086,597

The accompanying notes are an integral part of these financial statements

THORNE NATURE EXPERIENCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	<u>2017</u>	<u>2016</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 458,090	\$ 596,819
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	22,497	20,029
Unrealized/realized (gain) loss on investments	(104,864)	(16,433)
Gain on disposition of leased copier	(1,116)	-
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in accounts receivable	(15,991)	12,212
(Increase)decrease in grants and contributions receivable	(80,000)	400
(Increase)decrease in pledges receivable	30,900	30,700
(Increase)decrease in prepaid expenses	3,687	(5,780)
(Increase)decrease in inventory	145	1,825
(Decrease)increase in accounts payable	45,309	(8,716)
(Decrease)increase in accrued payroll liabilities	2,753	3,130
(Decrease)increase in deferred revenue	6,238	(2,344)
Net cash provided(used) by operating activities	<u>367,648</u>	<u>631,842</u>
<u>Cash flows from investing activities</u>		
(Purchases) of fixed assets	(10,448)	(7,826)
(Reinvestment) of interest and dividends	(19,891)	(8,476)
Administrative and investment management fees	13,467	6,734
Proceeds from sales of marketable securities	8,139	8,634
Net cash provided(used) by investing activities	<u>(8,733)</u>	<u>(935)</u>
<u>Cash flows from financing activities</u>		
(Repayments) on capital lease obligation	(1,287)	(2,071)
(Increase)decrease in bequests receivable	500,000	(500,000)
(Purchase) of permanently restricted investments	(531,400)	(61,400)
Net cash provided(used) by financing activities	<u>(32,687)</u>	<u>(563,471)</u>
Net increase(decrease) in cash and cash equivalents	326,228	67,436
Cash and cash equivalents, beginning of year	<u>461,660</u>	<u>394,224</u>
Cash and cash equivalents, end of year	<u>\$ 787,888</u>	<u>\$ 461,660</u>
<u>Noncash investing and financing transactions:</u>		
Cash paid during the period for interest	<u>\$ 416</u>	<u>\$ 226</u>
Property purchased under a capital lease	<u>\$ 8,824</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

THORNE NATURE EXPERIENCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 and government contracts.

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, 2017, 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, 2016, 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 to 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 May 3, 2018, 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 - GRANTS RECEIVABLE – TEMPORARILY RESTRICTED

During the year, the Organization was awarded a \$100,000 multi-year foundation award. Management has evaluated this award and has determined that no allowance for doubtful accounts is needed and that a discount to present value for these payments would be immaterial to the financial statements. Payments on this award are expected as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 20,000
2019	20,000
2020	20,000
2021	<u>20,000</u>
Total	<u>\$ 80,000</u>

NOTE 5 - PLEDGES RECEIVABLE – PERMANENTLY RESTRICTED

The Organization has received pledges receivable from individuals as well as foundations restricted to the Oak Thorne Vision Fund (Note 7). 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>	<u>Amount</u>
2018	<u>\$ 30,500</u>

NOTE 6 - 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 7 - 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 principal 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, 2017 was \$105,583 and \$932,200 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, 2017 was \$67,851.

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 \$10,104 at year-end.

Changes in endowment fund balances (Level 3 inputs) as of December 31, 2017 are as follows:

<u>Description</u>	<u>Amount</u>
Balance, beginning of year	<u>\$ 471,085</u>
Additions	<u>531,400</u>
Dividend and interest income	19,891
Net appreciation	104,864
Management fees	<u>(13,467)</u>
Total investment return	<u>111,288</u>
Distributions	<u>(8,139)</u>
Balance, end of year	<u>\$ 1,105,634</u>

As discussed in Note 5, the \$30,500 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 \$1,136,134 at December 31, 2017.

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Landscape improvements	\$ 57,158
Furniture and fixtures	45,652
Program equipment	20,529
Leased equipment	8,824
Computer equipment	<u>8,591</u>
Total	140,754
Less: accumulated depreciation	<u>(95,849)</u>
Net property and equipment	<u>\$ 44,905</u>

Depreciation expense for the year was \$22,497.

NOTE 9 - CAPITAL LEASE OBLIGATION

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

<u>Year</u>	<u>Amount</u>
2018	\$ 2,064
2019	2,064
2020	2,064
2021	2,064
2022	<u>688</u>
Total payments	8,944
Less: interest	<u>(1,407)</u>
Present value of capital lease obligation	<u>\$ 7,537</u>

NOTE 10 - COMMITMENTS

The Organization entered into an operating lease for program office space in Lafayette, Colorado. Under the terms of the agreement future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2018	<u>\$ 7,800</u>

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted nets assets are available for the following purposes:

<u>Description</u>	<u>Amount</u>
Nature Kids	\$ 429,048
School program	<u>38,333</u>
Total	<u>\$ 467,381</u>

NOTE 12 - IN-KIND CONTRBUTIONS

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

<u>Description</u>	<u>Amount</u>
Rent	\$ 42,370
Advertising/marketing	28,580
Food for summer camp and/or school program	4,581
Event expenses	3,652
Buses for students	1,900
Supplies	1,687
Permits	<u>570</u>
Total	<u>\$ 83,340</u>

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 13 - NET ASSETS RELEASED FROM RESTRICTIONS

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

<u>Description</u>	<u>Amount</u>
Nature Kids	\$ 411,787
Summer camp	118,092
School program	117,490
Endowment transfers	8,139
Field trip program	8,000
Oakleigh Thorne documentary	<u>6,180</u>
Total	<u>\$ 669,688</u>

NOTE 14 - 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 \$13,857.

NOTE 15 - 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 \$425,834 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 16 - CONCENTRATION OF SUPPORT

In 2017, \$443,885 or about 23% of the Organization's support was provided by one government award.