

TRUCKEE RIVER WATERSHED COUNCIL

Truckee, California

FINANCIAL STATEMENTS

AND

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

December 31, 2015

NICOLE S. SACHSE
CERTIFIED PUBLIC ACCOUNTANT

TRUCKEE RIVER WATERSHED COUNCIL

TABLE OF CONTENTS

	Page
Independent Accountant's Review Report	1 - 2
Exhibit A Statement of Financial Position	3
Exhibit B Statement of Activities and Changes in Net Assets	4
Exhibit C Statement of Functional Expenses	5
Exhibit D Statement of Cash Flows	6
Notes to Financial Statements	7-13

NICOLE S. SACHSE

CERTIFIED PUBLIC ACCOUNTANT

PO Box 8424
TRUCKEE, CA 96162

OFFICE 530-550-1536
FAX 866-729-1523

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Truckee River Watershed Council
Truckee, CA

I have reviewed the accompanying statement of financial position of Truckee River Watershed Council (a nonprofit corporation) as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

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 and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Accountant's Conclusion on the Financial Statements

Based on my review, I am not aware of any material modifications that should be made to the 2015 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Budget Information for the year ended December 31, 2015 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. I have not audited or reviewed such information and, accordingly, I do not express an opinion, a conclusion, or provide any assurance on it.

A handwritten signature in black ink, appearing to read "Nicole S. Sachse". The signature is fluid and cursive, with a long horizontal stroke at the end.

Nicole S. Sachse, CPA
Truckee, California
May 31, 2016

TRUCKEE RIVER WATERSHED COUNCIL

STATEMENT OF FINANCIAL POSITION

December 31, 2015

See Independent Accountant's Review Report

ASSETS

Cash	\$ 283,855
Certificates of deposit	152,490
Grants receivable	509,697
Other receivable	10,476
Accrued interest	2,967
Deposits	250
Total Assets	<u>\$ 959,735</u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable	\$ 81,286
Accrued payroll and related liabilities	31,519
Compensated absences	17,575
Total Liabilities	<u>130,380</u>
NET ASSETS	
Unrestricted	235,755
Temporarily restricted (Note 4)	593,600
Total Net Assets	<u>829,355</u>
Total Liabilities and Net Assets	<u>\$ 959,735</u>

TRUCKEE RIVER WATERSHED COUNCIL

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 For the Year Ended December 31, 2015
 with a Comparison to Budget

See Independent Accountant's Review Report

	Unrestricted	Temporarily Restricted	Total	Annual Budget
REVENUE (Note 5)				
Contributions	\$ 250,686	\$ -0-	\$ 250,686	\$ 319,530
Grants received from governments	-0-	557,610	557,610	1,144,133
Grants received from private parties	90,884	1,138,589	1,229,473	1,584,638
Interest income	2,299	-0-	2,299	1,500
Other income	7,601	-0-	7,601	-0-
Total Revenue	<u>351,470</u>	<u>1,696,199</u>	<u>2,047,669</u>	<u>3,049,801</u>
Net Assets Released From Restrictions	1,459,281	(1,459,281)	-0-	-0-
EXPENSES				
Program services	1,390,752	-0-	1,390,752	2,582,767
Supporting services				
Management and general	207,399	-0-	207,399	318,940
Fund raising	218,257	-0-	218,257	183,857
	<u>425,656</u>	<u>-0-</u>	<u>425,656</u>	<u>502,797</u>
Total Expenses	<u>1,816,408</u>	<u>-0-</u>	<u>1,816,408</u>	<u>3,085,564</u>
Increase (Decrease) in Net Assets	(5,657)	236,918	231,261	<u>\$ (35,763)</u>
Net assets at beginning of year	249,677	-0-	249,677	
Prior period adjustment (Note 6)	(8,265)	356,682	348,417	
Net assets at end of year	<u>\$ 235,755</u>	<u>\$ 593,600</u>	<u>\$ 829,355</u>	

TRUCKEE RIVER WATERSHED COUNCIL

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

with a Comparison to Budget

See Independent Accountant's Review Report

	Program Services	Management and General	Fund Raising	Total	Annual Budget
Expenses					
Salaries, payroll taxes and related	\$ 279,170	\$ 123,857	\$ 159,087	\$ 562,114	\$ 540,734
Contract services	1,020,542	601	-0-	1,021,143	2,244,267
Professional fees	19,816	52,335	26,563	98,714	136,005
Rebate incentives	33,215	-0-	-0-	33,215	50,000
Occupancy expenses	12,751	4,332	5,903	22,986	23,979
Staff development, travel and meetings	5,510	6,737	2,145	14,392	17,808
Supplies	13,778	39	13,216	27,033	23,600
Equipment, furniture and fixtures	-0-	-0-	-0-	-0-	2,500
Office expenses	794	11,058	9,849	21,701	19,606
Advertising and recognition	5,076	2,111	1,459	8,646	18,826
Insurance	-0-	4,580	-0-	4,580	4,750
Other business expenses	100	1,749	35	1,884	3,485
Totals	<u>\$ 1,390,752</u>	<u>\$ 207,399</u>	<u>\$ 218,257</u>	<u>\$ 1,816,408</u>	<u>\$ 3,085,560</u>

The accompanying notes are an integral part of these statements.

TRUCKEE RIVER WATERSHED COUNCIL

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

See Independent Accountant's Review Report

Increase in Net Assets	\$ 231,261
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Change in receivables and deposits	(31,731)
Change in payables	18,807
Change in accrued liabilities	15,880
Change in deferred revenue	(200,000)
Total Adjustments	<u>(197,044)</u>
Net Cash Provided by Operating Activities	<u>34,217</u>
Net Increase in Cash	34,217
Cash, Beginning of the Year	<u>249,638</u>
Cash, End of the Year	<u><u>\$ 283,855</u></u>

Truckee River Watershed Council
Notes to the Financial Statements
December 31, 2015

(See Independent Accountant's Review Report)

1. Form of Organization

Truckee River Watershed Council (the "Watershed Council") was incorporated in March 1998 in the State California. The Watershed Council is organized as a not for profit corporation for the purpose of implementing locally developed public-private collaborative solutions to protect and improve water quality and biological resources for the sustainable environmental and economic health of the Truckee River watershed. The geography covered is the Middle Truckee River watershed which is the 35-mile stretch of river that runs northeast from Tahoe City, CA to the California/Nevada state line and all the tributaries that feed into this stretch of the river, including all the upland areas. The Watershed Council is funded primarily by Federal, State, and foundation grants and local contributions.

2. Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The financial statements of the Watershed Council have been prepared on the accrual basis of accounting. Additionally, information regarding its financial position and activities are classified according to three classes of net assets based upon the existence or absence of donor-imposed restrictions, as follows:

Unrestricted net assets are resources that are not subject to donor-imposed stipulations. Unrestricted net assets also include net assets subject to voluntary resolutions of the Board of Directors designating them to be used for a limited purpose. The Board retains the power to remove or modify such designations at any time.

Temporarily restricted net assets consist of donor restricted contributions. Amounts restricted by the donor for a particular purpose or time period are reported as temporarily restricted revenue when received and such unexpended amounts are reported as temporarily restricted net assets at year end.

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."

Restrictions on gifts of fixed assets or contributions restricted for the purchase of fixed assets expire when the asset is placed in service, unless otherwise stipulated by the donor.

Truckee River Watershed Council
Notes to the Financial Statements
December 31, 2015

(See Independent Accountant's Review Report)

Permanently restricted net assets consist of donor-restricted contributions which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations. The Watershed Council does not have any permanently restricted net assets.

Cash and Cash Equivalents

For the purposes of the statement of cash flow, cash is defined as amounts held in checking and savings accounts and highly liquid investments with remaining maturities of three months or less at the time of purchase.

Certificates of Deposit

Typically have varying maturities and are stated at cost which approximates fair value. It is the intent of the Watershed Council to hold these certificates of deposit until maturity.

Grants Receivable

Grants receivable consist of amounts billed and receivable from grantors at year end as well as amounts billed subsequent to year end for reimbursable expenses incurred during the year. Grants are primarily cost reimbursement grants each supported by written contracts with other non-profits and government entities which are recognized when earned.

Other Receivables

The Watershed Council participates in the Greenbucks program, a contribution program with area resorts, hotels and restaurants. The program is administered by another non-profit that collects amounts on behalf of the Watershed Council. These amounts are periodically remitted to the Watershed Council and are recorded as other receivables.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is created when an account's collectability is uncertain. The Watershed Council estimates doubtful accounts based on factors related to the specific payer's ability to pay and current economic trends. Management believes that all outstanding receivables are collectable in full and therefore, an allowance for uncollectible accounts was not considered necessary.

Fixed Assets and Depreciation

Property, furniture and equipment, and related costs are capitalized individually at \$2,000 and above and stated at cost. Additions and betterments of \$2,000 or

Truckee River Watershed Council
Notes to the Financial Statements
December 31, 2015

(See Independent Accountant's Review Report)

more are also capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed. The fair market value of donated fixed assets and leasehold improvements are similarly capitalized.

Depreciation is computed on the straight-line basis over the useful lives of the assets. When items are disposed of, the cost and accumulated depreciation are eliminated from the records of account.

Compensated Absences

Accrued vacation is payable upon separation of employment and is included in these financial statements.

Deferred Grant Revenue

Deferred grant revenue consists of amounts received in advance which will become irrevocable only upon the occurrence of certain future conditions, usually securing the entirety of funds needed for a project or matching funds. Revenue is recognized at the time such conditions are met. Prior to that time, amounts received are considered deferred revenue and may be subject to repayment. Grants and contributions that do not carry any conditions are treated as income when received. At December 31, 2015 all conditions for monies received in advance had been met.

Fair Value Measurements

The carrying amounts of financial instruments are carried at cost on the balance sheet, which approximates fair value due to the short term, highly liquid nature. These instruments include cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, accrued expenses, and deferred revenue.

Liquidity Presentation

In order to provide information about liquidity, assets have been sequenced according to their nearness to conversion to cash and liabilities have been sequenced according to the nearness of their maturity and resulting use of cash.

Contributions

Contributions are recorded at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are recorded as restricted support. Conditional contributions are recognized when the conditions are substantially met.

Truckee River Watershed Council
Notes to the Financial Statements
December 31, 2015

(See Independent Accountant's Review Report)

Donated Goods and Services

Donations of property, furniture and equipment rarely occur. Generally items with a value of \$500 or more are recorded at their estimated fair value at the time of donation. Such donations are reported as unrestricted gifts unless the donor has stipulated how long the asset must be used or has restricted the asset for a specific purpose.

Contributions of services are recognized at fair value if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing these skills and would typically need to be purchased if not provided by donation.

Many individuals volunteer their time and perform a variety of tasks that assist the Watershed Council; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Functional Expenses

Expenses are charged to program, management and general, or fundraising using a combination of specific identification and allocation based on estimates made by management.

Income Taxes

The Watershed Council is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and a similar exemption for California purposes. The Watershed Council is not classified as a private foundation. Unrelated business income, if any, is taxed at regular corporate tax rates.

Management believes the Watershed Council has met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore, no provision for taxes has been provided in these financial statements. The Watershed Council's Federal tax returns for the past three years and State tax returns for the past four years, are subject to examination by tax authorities.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported and disclosed. Actual results could differ from those estimates.

Truckee River Watershed Council
Notes to the Financial Statements
December 31, 2015

(See Independent Accountant's Review Report)

3. Concentration of Credit Risk

The Watershed Council maintains accounts at a local bank. The Federal Deposit Insurance Corporation ("FDIC") insures accounts at this financial institution up to \$250,000. The balances in these accounts, may, at times exceed federally insured limits.

The Watershed Council minimizes credit risk associated with cash by periodically evaluating the credit quality of its financial institutions. Additionally, no losses have been experienced on any such accounts and management believes the Watershed Council is not exposed to any significant credit risk related to cash.

4. Temporarily Restricted Net Assets

Temporarily restricted net assets are available to support programs or restoration projects in the following areas:

Temporary Restricted Net Assets:	2015
Dry Creek	\$ 16,796
First Four Miles	12,078
Mainstem Martis Valley	21,849
Martis Creek	387,947
Middle Martis	76,116
Perazzo Meadows	40,000
Prosser Creek	15,864
Truckee Wetlands	15,000
Weed Warriors	7,950
Total Temporary Restricted Net Assets	<u>\$ 593,600</u>

Interest income generated by temporarily restricted funds is available for appropriation by the Board of Directors.

5. Sources of Revenue

A majority of the Watershed Council's contributions and revenue are received from a few sources. In the event that funding from one of these sources decreases in any one year, operations could be affected. Management is monitoring and evaluating these risks and takes them into consideration during the planning process.

Truckee River Watershed Council
Notes to the Financial Statements
December 31, 2015

(See Independent Accountant's Review Report)

The Watershed Council received approximately 50% of its operational funding from the following sources during 2015:

Source	Type	Amount	Percentage
Martis Fund	Grants	\$ 457,000	22%
State Water Resources Control Board	Grants	359,284	18%
National Forest Foundation	Grants	208,345	10%
		<u>\$ 1,024,629</u>	<u>50%</u>

As of December 31, 2015 the Watershed Council's Grants Receivable consisted of approximately 57% owed from governmental entities residing in the state of California. Management has evaluated this concentration and believes that the amounts due are not at risk.

6. Adjustments to Prior Period Amounts

In previous years unexpended restricted contributions that were not conditional were reported as deferred grant revenue instead of being recognized as restricted revenue in the statement of activities. This change resulted in an increase to beginning restricted net assets of \$356,682 of which \$119,934 is attributable to net income for the prior year ending December 31, 2014.

Additionally, retirement contributions for the prior year had not been accrued at December 31, 2014. This change resulted in a decrease to beginning unrestricted net assets of (\$8,265).

7. Commitments and Contingencies

The Watershed Council's grants are subject to inspection and audit by the appropriate governmental funding agencies in order to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, the Watershed Council has no provision of the possible disallowance of program costs included in its financial statements.

Truckee River Watershed Council
Notes to the Financial Statements
December 31, 2015

(See Independent Accountant's Review Report)

8. Related Parties

The Watershed Council may purchase goods or services at commercially reasonable rates from companies that are affiliated with or owned by board members directly or indirectly. Most items purchased are generally considered to be insignificant to the financial statements.

During 2015, however, the Watershed Council purchased consulting/strategic planning services totaling \$22,340 from a business owned by a board member. There were no amounts owed to or from this company at year end. Additionally, the person's board term ended during 2015 and as of December 31, 2015 is no longer a member of the board.

9. Subsequent Events

Subsequent events have been evaluated through May 31, 2015 the date that the statements were available for issuance.