



TREES, WATER & PEOPLE
Helping people and the planet

FINANCIAL STATEMENTS

**Year Ended
December 31, 2016 and 2015**

TREES WATER AND PEOPLE

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rickards & co llp
Certified Public Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Trees Water and People

We have audited the accompanying financial statements of Trees Water and People (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements 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 about whether the financial statements are free from 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 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 Trees Water and People as of December 31, 2016, 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.

Other Matters

The financial statements of Trees, Water and People as of December 31, 2015 were audited by other auditors whose report dated May 20, 2016, expressed an unmodified opinion on those financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 5 and 6 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rickards & Company, LLP

Rickards & Company, LLP

Fort Collins, Co

April 4, 2017

TREES WATER AND PEOPLE

STATEMENTS OF FINANCIAL POSITION
As of December 31, 2016 and 2015

	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 527,662	\$ 97,023
Restricted cash and cash equivalents	-	350,439
Advances	3,335	757
Promises to give	-	12,393
Accounts Receivable	-	26,000
Prepaid expenses	3,490	4,697
Loan receivable	-	850
Unrestricted endowment fund	95,477	-
Restricted endowment fund	46,055	216,927
Total current assets	676,019	709,086
Property and equipment, net	383,716	396,811
Total assets	\$ 1,059,735	\$ 1,105,897
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses	\$ 11,841	\$ 17,319
Credit cards payable	2,309	47
Line of credit	-	79,990
Mortgage payable	78,215	98,991
Total liabilities	92,365	196,347
Net Assets		
Unrestricted	558,713	329,792
Temporarily restricted	362,602	362,832
Permanently restricted	46,055	216,926
Total net assets	967,370	909,550
Total liabilities and net assets	\$ 1,059,735	\$ 1,105,897

See accompanying notes to financial statements

TREES WATER AND PEOPLE
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2016 and 2015

	2016	2015
UNRESTRICTED NET ASSETS		
Support		
Public support, grants and foundations	\$ 581,245	\$ 798,350
Clean tech product sales, net of cost	-	(23,411)
Fees for services	14,000	19,415
Interest	-	1,012
Realized gain (loss) on assets	-	(3,443)
Total unrestricted support	595,245	791,923
Net assets reclassified from restrictions	399,137	18,445
Total unrestricted support and reclassifications	<u>994,382</u>	<u>810,368</u>
 EXPENSES		
Program activities	757,825	781,235
Management and general	149,093	142,964
Fundraising	49,897	69,247
Total expense	<u>956,815</u>	<u>993,446</u>
Increase (decrease) in unrestricted net assets	37,567	(183,077)
 TEMPORARILY RESTRICTED NET ASSETS		
Public support, grants and foundations	494,785	174,381
Net assets released from restrictions	(399,137)	(18,445)
Increase (decrease) in temporarily restricted net assets	<u>95,648</u>	<u>155,936</u>
 PERMANENTLY RESTRICTED NET ASSETS		
Interest and dividend income	4,492	5,223
Unrealized gain (loss) on endowment	11,984	(4,814)
Realized gain (loss) on endowment	(784)	-
Released from restrictions	(88,600)	(30,000)
Investment expense on endowment	(2,486)	(2,719)
Increase (decrease) in permanently restricted net assets	<u>(75,394)</u>	<u>(32,310)</u>
Increase in net assets	57,821	(59,451)
Net Assets, Beginning of Year	<u>909,550</u>	<u>969,001</u>
Net Assets, End of Year	<u>\$ 967,371</u>	<u>\$ 909,550</u>

See accompanying notes to financial statements

TREES WATER AND PEOPLE

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	International Programs	National Programs	Management and General	Fundraising	Total Expenses
Advertising and Marketing	\$ 6,125	\$ 13,263	\$ 1,356	\$ 2,025	\$ 22,769
Bad Debt	26,000	-	-	-	26,000
Bank fees	3,256	1,469	-	-	4,725
Board expense	515	277	198	296	1,286
Computer/printer/vmail	1,363	734	524	783	3,404
Conference and training	356	661	58	86	1,161
Consultant fees	400	-	-	-	400
Direct mail	19,003	10,420	-	-	29,423
Dues and subscriptions	2,512	1,289	781	1,166	5,748
Events and products	240	124	-	-	364
Gifts to major donors	1,340	634	438	655	3,067
Insurance	3,880	2,089	1,492	2,228	9,689
Interest	2,721	2,513	627	936	6,797
Internet	1,702	917	655	978	4,252
Miscellaneous	15	6	-	-	21
Office supplies	1,191	605	432	645	2,873
Payroll	134,317	82,642	112,019	27,121	356,099
Payroll taxes	21,947	15,473	24,079	3,786	65,285
Employee benefits					-
Postage and printing	5,066	4,321	486	726	10,599
Professional fees	2,419	1,303	931	1,390	6,043
Program costs	263,878	86,000	-	-	349,878
Utilities	1,379	743	531	792	3,445
Repairs and maintenance	1,138	613	438	654	2,843
Telephone	927	318	227	339	1,811
Travel	9,826	4,748	504	337	15,415
Vehicle	1,528	2,703	588	878	5,697
Volunteer expense	143	77	55	82	357
Total before Depreciation	513,187	233,942	146,419	45,903	939,451
Depreciation	6,953	3,744	2,674	3,994	17,365
TOTAL EXPENSES	\$520,140	\$237,686	\$149,093	\$49,897	\$956,816

See accompanying notes to financial statements

TREES WATER AND PEOPLE

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

	International Programs	National Programs	Management and General	Fundraising	Total Expenses
Advertising and Marketing	2,321	\$ 1,732	\$ 6,771	\$ 1,855	\$ 12,679
Bank fees	857	-	2,735	-	3,593
Board expense	1,539	829	444	148	2,960
Computer/printer/vmail	1,830	985	528	176	3,519
Conference and training	782	673	531	105	2,091
Consultant fees	550	250	-	-	800
Direct mail	19,628	13,171	-	-	32,799
Dues and subscriptions	2,915	1,570	841	280	5,606
Events and products	536	-	-	-	536
Gifts to major donors	812	437	234	78	1,561
Insurance	5,007	2,696	1,445	481	9,629
Interest	4,400	2,370	1,270	423	8,463
Internet	2,201	1,185	635	212	4,233
Miscellaneous	-	21	72	-	93
Office supplies	2,879	1,550	830	278	5,537
Payroll	139,530	130,706	83,041	49,767	403,044
Payroll taxes	11,748	10,601	7,149	4,026	33,524
Employee benefits	26,367	23,982	21,441	8,531	80,321
Postage and printing	4,438	2,752	3,165	545	10,900
Professional fees	4,756	2,561	1,372	457	9,146
Program costs	176,832	113,564	-	-	290,396
Utilities	1,955	1,053	564	188	3,760
Repairs and maintenance	3,020	1,626	872	290	5,808
Telephone	551	721	1,538	148	2,958
Travel	20,741	11,631	3,803	-	36,175
Vehicle	2,492	1,342	958	-	4,792
Volunteer expense	-	-	-	350	350
Total before Depreciation	438,687	328,008	140,239	68,338	975,270
Depreciation	7,270	7,270	2,726	909	18,176
TOTAL EXPENSES	\$445,957	\$335,278	\$142,965	\$69,247	\$993,446

See accompanying notes to financial statements

TREES WATER AND PEOPLE
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$57,821	(\$59,451)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	17,366	18,175
(Increase)decrease in operating assets		
Endowment Fund	75,392	32,310
Promises receivables	12,393	6,052
Accounts receivable	26,000	71,581
Prepaid expense	1,207	2,219
Inventory	-	6,833.00
Loan receivable	850	479
Advances	(2,578)	(757)
Increase (decrease) in operating liabilities:		
Compensated absences	(5,478)	(4,122)
Credit card payable	2,262	47
	185,235	73,366
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(4,271)	(16,744)
Dispositions of property and equipment	-	3,443
	(4,271)	(13,301)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	(79,990)	54,990
Payments on solar loans	-	(25,781)
Payments on mortgage	(20,774)	(10,124)
	(100,764)	19,085
Net cash (used) provided by investing activities	(4,271)	(13,301)
Net increase (decrease) in cash	80,200	79,150
Cash at Beginning of period	447,462	368,312
Cash at end of period	\$ 527,662	\$447,462
Supplemental information:		
Interest Paid	\$4,074	\$8,462

See accompanying notes to financial statements

TREES WATER AND PEOPLE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Trees, Water and People (the Organization), a nonprofit Colorado corporation formed in 1998, with headquarters in Fort Collins, Colorado, was created to provide a community-based approach to sustainable development with reforestation, watershed protection, cleantech, clean cook stoves, ecosystem restoration, and education programs in Latin America and the United States. The Organization's work is guided by two core beliefs: natural resources are best protected when local people play an active role in their care and management, and preserving local ecosystems is essential for the ongoing social, economic and environmental health of communities everywhere. Trees, Water and People's mission is to improve people's lives by helping communities protect, conserve and manage the natural resources upon which their long-term well-being depends. Revenues are derived primarily from contributions from the general public and grants from private foundations, the federal government, corporations and individuals.

Reclassifications

Certain items in the 2015 financial statements have been reclassified to enhance comparability with the 2016 financial statements. Such reclassifications had no impact on previously reported totals.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles require 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 these financial statements and the reported amounts or revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Concentrations of Credit Risk

The Federal Deposit Insurance Corporation (FDIC) currently insures up to \$250,000 of substantially all depository accounts held at each financial institution. At various times during the year, the Organizations cash deposits may exceed the federally insured limits and at December 31, 2016 there were no uninsured balances.

TREES WATER AND PEOPLE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

Note 1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The Organization considers all promises to give and other receivables as collectible and these financial statements contain no allowance for uncollectible amounts. Promises receivable at December 31, 2016 and 2015 were \$0, and \$12,393.

Contributed Services

Financial Accounting Standard Board (FASB ASC 958-605.25-16) requires that contributions of services be recognized if the services received meet specific criteria. No services met the criteria in 2016 or 2015. Volunteer services that do not meet the criteria have not been recorded in the financial statements amount to 4,981 donated hours in 2016 and 2,382 in 2015.

Property and Equipment

Property and Equipment are recorded at cost. Expenditures for maintenance, repairs and minor renewals are recorded and expensed as incurred. Expenditures for major renewals and betterments are capitalized and depreciated over their estimated useful lives. Depreciation is calculated using the straight-line method over the following estimated useful lives: furniture and equipment 5 to 10 years and buildings 40 years. When property and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts and any remaining gain or loss is included in operations.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, promises to give and other receivables, prepaid expenses and payables approximate fair value because of the terms and relative short maturity.

Net Assets

Unrestricted net assets

Unrestricted net assets are available for use in general operations. Board designated net assets is a component of unrestricted net assets, which is established by the Board of Directors.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the 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.

TREES WATER AND PEOPLE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

Note 1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets are those net assets whose use by the Organization has been limited by donors (a) to later periods of time or after specified dates or (b) to specified purposes. Contributions of assets that by their nature are used up over time and that the donor stipulates must be used by Trees Water and People are recognized as increases in temporarily restricted net assets. If the restriction is satisfied within the same year, the temporarily restricted asset is classified as unrestricted.

When donor restrictions from prior years expire, 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

Permanently restricted net assets consist of assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The restrictions stipulate that resources be maintained permanently but permit the Organizations to expend the income generated in accordance with the provisions of the agreement.

It was determined by the 2008 Board of Directors of Trees, Water and People that contributions made to the Community Foundation of Northern Colorado were permanently restricted in a endowed agency fund.

Advertising Costs

The Organization expenses advertising and marketing costs as they are incurred. Advertising expenses were \$8,808 and \$12,679 for the years ending December 31, 2016 and 2015 respectively.

Functional Allocation of Expenses

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 program and supporting services.

Impairment of Long-Lived Assets

The Organization is required to test for asset impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset might not be recoverable. The Organization analyzes assets for impairment when indicators of impairment are present. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value of the long-lived assets. The Organization did not recognize an impairment of long-lived assets during the year and period ending December 31, 2016 and 2015.

TREES WATER AND PEOPLE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

Note 2. Endowment Fund

Trees, Water and People and the Foundation agree to establish a special fund that shall be maintained and operated in accordance with the Foundation’s governing documents and this Agreement. The purpose of the fund is to build and provide a stable source of funding for the operational and capital needs of Trees, Water and People.

This is an endowment fund, and distributions shall be limited to a sustainable annual amount, except that upon a two-thirds vote of its Board of Directors, agency may request a distribution of principal. Subject to the proceeding provision, agency may advise the Foundation as to the exact percentage of the Fund’s total market value it wishes to distribute from year to year, as long as the percentage is no greater than 7 percent of the Fund’s total market value. Generally, a distribution of 5 to 7 percent of total market value would be appropriate as an annual distribution, though agency may elect a distribution of less than 5 percent. During 2016 the Board of Directors with at least two-thirds of the vote took principle distributions of \$88,600. The Board of Directors contacted the original contributors for a request to use funds in current operations where they were needed. These funds were restricted and by contacting the contributors with agreement the restrictions were released from restrictions. The remaining restricted balance is \$46,034 which represents the donors who have not been contacted.

Funds and assets of the Foundation may only be used for the “charitable purposes” described in the Articles of Incorporation of the Foundation as educational, scientific, literary, and public or other purposes permitted to be carried on by organizations described in 170(c) (1) and 170(c) (2) of the Internal Revenue Code and corresponding provisions of future revenue laws.

Note 3. Property and Equipment

Property and equipment consists of the following at December 31,

	2016	2015
Land	\$ 52,044	\$ 52,044
Building and improvements	393,067	389,518
Computer equipment	8,996	9,844
Equipment	11,149	-
Furniture and fixtures	7,784	16,363
Vehicles	34,615	34,615
Total	507,655	502,384
Accumulated deprecaition	(122,961)	(105,573)
Total	\$ 384,694	\$ 396,811

TREES WATER AND PEOPLE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

Note 4. Concentration of Credit Risk

Financial instruments that potentially subject Trees, Water and People to a concentration of credit risk consists principally of cash and cash equivalent accounts held at various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization' from time to time exceeds this limit and the Organization has not experienced any losses on these balances.

Note 5. Gifts of Marketable Securities

Gifts of marketable securities are reported at the value when the securities are sold. Upon receipt of any securities, the securities are sold soon after. The gain or loss on securities is not recorded between the date received and sold. For 2016 and 2015 the amounts were not significant.

Note 6. Luciernaga, LLC

Luciernaga, LLC, a limited liability company, was formed on September 30, 2013. Trees, Water and People is the sole member of the LLC. The company has been doing business in Central America. During 2016 an amount due Luciernaga, LLC, of \$26,000 was written off as uncollectible. The financial statements of Trees Water and People are combined with activity from Luciernaga, LLC. During 2016 no revenue or expense was incurred by Luciernaga, LLC and holds a cash account of \$12,130.

Note 7. Mortgage Payable

The mortgage payable at December 31, 2016 and 2015 \$78,215 and \$98,991 respectively is due at December 14, 2017. The loan is collateralized by the office building. The interest rate at December 31, 2016 as 4.29 percent and all amounts are current.

Note 8. Line of Credit

The Line of Credit with First National Bank was of \$ -0- and \$79,990 at December 31, 2016 and 2015 respectively. The note was due on August 19, 2016. The line of credit was renewed for \$150,000 with a maturity of October 31, 2017. The interest rate is prime plus .075 percent.

Note 9. Retirement Plan

The Organization has established a 403(b) plan for the employees in which all employees may make a salary reduction election and have his or her compensation reduced for each pay period. There is no matching contribution from the Organization. The Organization has also established a Simplified Employees Pension (SEP-IRA) plan for employees which are funded entirely by the Organization. Annual contributions to the employee's account are discretionary. All contributions to the employee's account are immediately and fully vested. All fees for both retirement accounts are the employee's responsibility. The Organization's contribution to the SEP- IRA for 2016 and 2015 was \$10,665 and \$15,865 respectively.

TREES WATER AND PEOPLE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

Note 10. Compensation Absences

The company has accrued unpaid vacation for its employees at December 31, 2016 and 2015 at \$11,840 and \$17,319 respectively. Employees earn 2 hours sick pay for each pay period up to six weeks. The amounts are carried over from year to year and are not invested upon separation of employment.

Note 11. Subsequent Events

Management has evaluated subsequent events through April 4, 2017 the date on which the statements were available to be issued.

The Mortgage was refinanced with Bank of Colorado February 21, 2017 to ten years for \$152,000. Payments for the first five years are \$975.19 per month at an interest rate of 4.60 percent. Payments will increase March 17, 2022 for the next five years with principal and interest payments in the initial amount of \$992.36 monthly. The interest rate on this Note is subject to change from time to time based on changes in an independent index which is the Federal Home Loan Bank of Topeka 5 Year Advance Rate.