

ROCKY MOUNTAIN CONSERVANCY

Financial Statements As Of December 31, 2017
(With Summarized Financial Information
As Of December 31, 2016)

Together With Independent Auditors' Report

JDS professional
group
certified public accountants, consultants and advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Rocky Mountain Conservancy:

Report on the Financial Statements

We have audited the accompanying financial statements of Rocky Mountain Conservancy (the "Organization"), which comprise the statement of financial position as of December 31, 2017, 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.

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 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 auditors' 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.

Members:

American Institute of Certified Public Accountants • Colorado Society of Certified Public Accountants
10303 E. Dry Creek Road, Suite 400 • Englewood, CO 80112 • 303 771 0123 • 303 771 0078 fax

Independent Auditors' Report (Continued)

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 Rocky Mountain Conservancy as of December 31, 2017, 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.

Reporting on Summarized Comparative Information

We have previously audited the Organization's December 31, 2016, financial statement, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 15, 2017. 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 statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 23 is presented for purposes of additional analysis and is 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 certain additional procedures, including comparing and reconciling such information directly to the underlying 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.

JDS Professional Group

June 15, 2018

ROCKY MOUNTAIN CONSERVANCY

Statement Of Financial Position

As Of December 31, 2017

(With Summarized Financial Information As Of December 31, 2016)

Page -4-

ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
Current Assets:					
Cash and cash equivalents	\$ 3,393,180	\$ 713,562	\$	\$ 4,106,742	\$ 3,075,195
Investments	8,769,350	1,339,670		10,109,020	9,026,794
Accounts receivable	36,178			36,178	25,238
Contributions receivable		29,425		29,425	604,289
Due from (to) other funds	(33,027)	33,027			
Prepaid expenses	24,201			24,201	31,584
Inventory, net	490,508			490,508	454,832
Total Current Assets	12,680,390	2,115,684		14,796,074	13,217,932
Other Assets:					
Cash and investments held for others	13,204			13,204	13,242
Long-term investments			278,017	278,017	276,982
Land held for sale					247,000
Property and equipment, net	686,874			686,874	689,547
TOTAL ASSETS	<u>\$ 13,380,468</u>	<u>\$ 2,115,684</u>	<u>\$ 278,017</u>	<u>\$ 15,774,169</u>	<u>\$ 14,444,703</u>

The accompanying notes are an integral part of the financial statements.

ROCKY MOUNTAIN CONSERVANCY

Statement Of Financial Position (Continued)

As Of December 31, 2017

(With Summarized Financial Information As Of December 31, 2016)

Page -5-

LIABILITIES AND NET ASSETS	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
Current Liabilities:					
Accounts payable	\$ 70,235	\$ 363	\$	\$ 70,598	\$ 86,247
Accrued aid payable	408,995			408,995	350,493
Accrued expenses payable	120,402	18		120,420	122,618
Deferred revenue	<u>5,167</u>			<u>5,167</u>	<u>3,493</u>
Total Current Liabilities	604,799	381		605,180	562,851
Long Term Liabilities:					
Custodial funds held for others	<u>13,204</u>			<u>13,204</u>	<u>13,242</u>
Total Liabilities	<u>618,003</u>	<u>381</u>		<u>618,384</u>	<u>576,093</u>
Net Assets:					
Unrestricted:					
Undesignated:					
Operating	718,630			718,630	487,712
Fixed assets	686,874			686,874	689,547
Designated:					
Board designated savings and aid reserve	600,000			600,000	600,000
Board designated operating reserve	600,000			600,000	600,000
Quasi - endowments	7,889,352			7,889,352	7,033,677
Rocky Mountain National Park funds	<u>2,267,609</u>			<u>2,267,609</u>	<u>1,691,375</u>
Total Unrestricted Net Assets	12,762,465			12,762,465	11,102,311
Temporary Restricted		2,115,303		2,115,303	2,488,382
Permanently Restricted			<u>278,017</u>	<u>278,017</u>	<u>277,917</u>
Total Net Assets	<u>12,762,465</u>	<u>2,115,303</u>	<u>278,017</u>	<u>15,155,785</u>	<u>13,868,610</u>
TOTAL LIABILITIES AND AND NET ASSETS	<u>\$ 13,380,468</u>	<u>\$ 2,115,684</u>	<u>\$ 278,017</u>	<u>\$ 15,774,169</u>	<u>\$ 14,444,703</u>

The accompanying notes are an integral part of the financial statements.

ROCKY MOUNTAIN CONSERVANCY

Statement Of Activities

For The Year Ended December 31, 2017

(With Summarized Financial Information For The Year Ended December 31, 2016)

Page -6-

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
Support, Revenue And Gains:					
Sales	\$ 3,658,913	\$	\$	\$ 3,658,913	\$ 3,698,918
Cost of goods sold	(1,737,993)			(1,737,993)	(1,791,966)
Gross Profit	1,920,920			1,920,920	1,906,952
Contributions	497,803	412,531	100	910,434	1,315,392
Membership contributions	163,610			163,610	216,058
In-kind donations	2,750			2,750	5,591
Interest and dividends	119,842	15,628		135,470	130,527
Field Institute income	100,827			100,827	113,248
Other income	32,610			32,610	41,787
Total Revenues, Gains and Other	2,838,362	428,159	100	3,266,621	3,729,555
Net assets released from restriction:					
Satisfaction of program and time restrictions	938,340	(938,340)			
Total Revenue, Gains and Other Support	3,776,702	(510,181)	100	3,266,621	3,729,555
Expenses:					
Program Services -					
Educational product sales	726,027			726,027	727,425
Communication and outreach	189,836			189,836	203,865
Membership	119,731			119,731	144,434
Field Institute	206,088			206,088	193,141
Other agency support	102,041			102,041	87,734
RMNP support	1,141,317			1,141,317	2,879,811
Total Program Services	2,485,040			2,485,040	4,236,410
Supporting Services -					
Fundraising	191,673			191,673	205,063
General and administration	340,357			340,357	360,191
Total Supporting Services	532,030			532,030	565,254
Total Expenses	3,017,070			3,017,070	4,801,664
CHANGES IN NET ASSETS BEFORE GAIN (LOSS) ON INVESTMENTS					
Realized/unrealized gain on investments	759,632	(510,181)	100	249,551	(1,072,109)
CHANGES IN NET ASSETS	1,660,154	(373,079)	100	1,287,175	(1,029,539)
Net Assets, Beginning Of Year	11,102,311	2,488,382	277,917	13,868,610	14,898,149
NET ASSETS, END OF YEAR	<u>\$ 12,762,465</u>	<u>\$ 2,115,303</u>	<u>\$ 278,017</u>	<u>\$ 15,155,785</u>	<u>\$ 13,868,610</u>

The accompanying notes are an integral part of the financial statements.

ROCKY MOUNTAIN CONSERVANCY

Statement Of Cash Flows

For The Year Ended December 31, 2017

(With Summarized Financial Information For The Year Ended December 31, 2016)

Page -7-

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Changes in net assets	\$1,287,175	\$ (1,029,539)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	62,073	54,884
Impairment of land held for sale		28,000
Unrealized/realized gain in investments	(1,037,624)	(42,570)
Contributions restricted for long-term purposes	(100)	(935)
Changes in assets and liabilities -		
(Increase) in accounts receivable	(10,940)	(19,891)
Decrease in contributions receivable	574,864	82,963
(Increase) decrease in prepaid expenses	7,383	(11,845)
(Increase) in inventory	(35,676)	(17,942)
Increase (decrease) in accounts payable	(15,649)	13,570
Increase in accrued aid payable	58,502	51,355
Increase (decrease) in accrued expenses payable	(2,198)	52,519
Increase (decrease) in deferred revenue	1,674	(942)
Net cash provided by (used in) operating activities	<u>889,484</u>	<u>(840,371)</u>
Cash flows from investing activities:		
Purchases of investments	(6,247,353)	(2,630,211)
Purchases of property and equipment	(59,400)	(61,169)
Proceeds from land held for sale	247,000	
Sales of investments	<u>6,201,716</u>	<u>2,922,794</u>
Net cash provided by investing activities	<u>141,963</u>	<u>231,414</u>
Cash flows from financing activities:		
Proceeds from line of credit		50,000
Payments on line of credit		(50,000)
Proceeds from contributions restricted for investment in permanent endowment	100	935
Net cash provided by financing activities	<u>100</u>	<u>935</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,031,547	(608,022)
Cash and Cash Equivalents, Beginning Of Year	<u>3,075,195</u>	<u>3,683,217</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$4,106,742</u>	<u>\$ 3,075,195</u>

The accompanying notes are an integral part of the financial statements.

ROCKY MOUNTAIN CONSERVANCY

Notes To Financial Statements
For The Year Ended December 31, 2017

Page -8-

(1) Nature Of The Organizations

The Rocky Mountain Conservancy (the "Organization") was organized in 1931. The Organization was incorporated in 1955 under the laws of the State of Colorado. In 1972 and 2006, the Articles of Incorporation of the Organization were restated under the Colorado Non-Profit Corporation Act for the following purposes:

- To stimulate interest in the interpretive activities of Rocky Mountain National Park (Park) and its cooperating issues.
- To encourage scientific investigation and research in the field of history, geology, natural history, and related subjects that has a bearing on the Park and its cooperating areas and adjacent territories.
- To assist in the development of the library of the Park and cooperating areas.
- To assist in the care and development of museums and other interpretive facilities and programs in the Park and cooperating areas.
- To assist in obtaining photographs, slides, films, and other materials and equipment for use in explaining and exhibiting the history, earth sciences, and other natural history portrayed in the Park and cooperating areas.
- To accept donations for and to maintain and use other funds for furthering the educational objectives of the National Park Service in the Park and cooperating areas, including the acquisition of private lands.
- To publish, or aid the publication of, material pertinent to the educational objectives of the National Park Service.
- To make available for sale at museums and other desirable outlets, in the Park and cooperating areas, publications, visual aids, photographs, or other material pertinent to the educational objectives of the National Park Service. The earnings from these buying and selling operations shall be used only for the furtherance of the Organization and to carry out the purpose of its existence, as outlined in the previous sections. The operations, property and assets of the Organization shall be strictly limited to the purposes for which it has been established, and no part of the net income of the Organization shall inure to the financial benefit of any officer or member thereof.
- To purchase, lease or otherwise acquire and to hold, own, sell, or dispose of real and personal property of all kinds and in particular lands, buildings, business concerns and undertakings, merchandise, and any interest in real or personal property.

- To do all and everything necessary, suitable or proper for the accomplishment of any of the purposes, the attainment of any of the objects, or the furtherance of any of the powers hereinbefore set forth, either alone or in connection with other corporations, firms or individuals and either as principals or agents, and to do every other act or acts, thing or things, incidental or appurtenant to or growing out of or connected with the aforesaid objects purposes or powers, or any of them provided the same by not inconsistent with the laws under which this Organization is organized.

During 2014, the Organization changed its name from Rocky Mountain Nature Association, Inc. to Rocky Mountain Conservancy.

The Organization’s major sources of revenue are retail sales, contributions, and investment income.

The Organization is organized solely for public, charitable, and educational purposes, including such purposes as the making of distributions to the United States Government for the benefit of its national parks, and the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization is classified as an organization that qualifies for charitable contribution deductions for individual donors. The administrative offices of the Organization are located at Rocky Mountain National Park Headquarters at Estes Park, Colorado. The Organization has retail outlets at the following locations, all of which are included in these financial statements:

National Park

Rocky Mountain National Park	Estes Park and Grand
Including East, West, and North locations and various smaller retail facilities located within the Park.	Lake, CO

National Monument

Florissant Fossil Beds National Monument	Florissant, CO
--	----------------

U.S. Forest Service Locations

Arrowhead Lodge Visitor Center	Bellevue, CO
Boulder Ranger District	Boulder, CO
Brush Creek Ranger District	Saratoga, WY
Canyon Lakes Ranger District	Fort Collins, CO
Grand Mesa Visitor Center	Cedaredge, CO
Leadville Ranger District	Leadville, CO
Picket Wire Canyon Ranger District	La Junta, Co
Sopris Ranger District	Carbondale, CO
South Park Ranger District	Fairplay, CO
Sulphur Ranger District	Granby, CO

Colorado State Park Locations

Crawford	Crawford, CO
Eldorado Canyon	Eldorado Springs, CO
Eleven Mile	Lake George, CO
Golden Gate	Golden, CO
Lathrop	Walsenburg, CO
Mueller	Divide, CO
Navajo	Arboles, CO
State Forest	Walden, CO
Steamboat Lake	Steamboat Springs, CO

Other

Comanche National Grasslands	Springfield, CO
Nature and Raptor Center	Pueblo, CO
Historic Trails Interpretive Center	Casper, WY

(2) **Summary Of Significant Accounting Policies**

Method Of Accounting

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

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.

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, 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, expenses, gains, losses and other changes in net assets during the reported period. Actual results could differ from those estimates.

Cash and Investments

The Board of Directors allows cash and investments to be invested in various accounts at the discretion of the Investment Committee. For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents except for funds held in the investment portfolio. Investments in marketable securities with readily determinable fair market values are valued at their fair market values in the Statement of Financial Position.

Fair Value Measurements

The Organization follows *Fair Value Measurements* accounting standard which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standard are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds: Valued at the published net asset value (NAV) of the shares held at the reporting date.

Equities: Valued at the closing prices reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the Statement of Financial Position.

The carrying amount reported in the Statement of Financial Position for cash and cash equivalents, accounts receivable, contributions receivable, accounts payable and accrued expenses payable, approximate fair value because of the immediate or short-term maturities of these financial instruments.

Accounts Receivable

Receivables are charged to bad debt when they are deemed uncollectible. Management believes all accounts are collectible, accordingly, no provision has been made for allowance for doubtful accounts.

Contributions Receivable

Unconditional contributions receivable are recognized as revenues or gains in the period received, and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional contributions receivable are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Management expects that all contributions receivable will be fully collectible, accordingly, there is no allowance for uncollectible promises to give. As of December 31, 2017, all contributions receivable are deemed collectible within one year.

Contributions receivable are recorded at net realizable value if expected to be collected within one year and at fair value if expected to be collected in more than one year. As of December 31, 2017, there was no material difference between the present value of the contributions receivable and the amount recorded in the financial statements which is at face value.

Inventory

Inventory consisted of books, maps, apparel, etc. Inventory directly tracked by the Point of Sale and Inventory Stock System (items located at the Organization warehouse for the Rocky Mountain National Park (RMNP) locations and the Historic Trails Interpretive Center) are valued at average cost. All other outlets value inventory at the last purchased cost to the outlet unless it is an item transferred from the warehouse, in which case it is valued at average cost. Inventory is presented net of an allowance for obsolete inventory of \$38,188 as of December 31, 2017.

Property and Equipment

The Organization capitalizes all asset purchases with an original cost in excess of \$2,000. Contributed property and equipment is recorded at fair market value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is recorded using the straight-line method over the estimated useful life as follows:

Buildings	27-40 years
Building improvements	7-39 years
Equipment	5-10 years
Vehicles	5 years
Software	3 years

Land Held for Sale

The Organization records land held for sale at market value at the date of purchase using appraisal data and sales history of similar property. The Organization sold the land to the U.S. Forest Service in the current year.

Custodial Funds Held for Others

The Organization holds funds for other agencies in a custodial capacity. The purpose of the fund and its related expenditures must be made in conformity to the Organization’s mission, exclusively for charitable purposes. All disbursement requests are made by agency-designated coordinators or program managers in writing, and then approved by Organization’s Executive Director. The Organization provides an accounting of each fund balance to the agencies. The establishment of new accounts over \$10,000 requires Operations Committee approval. Custodial funds are maintained in separate bank and investment accounts and are presented as restricted cash and investments on the Statement of Financial Position.

Revenue Recognition

In the absence of donor restrictions, contributions and bequests are considered to be available for unrestricted use. All income is recognized in the period in which the contribution, pledge, or unconditional promise to give is received. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. Investment income is shown as an increase or decrease in unrestricted net assets unless a donor or law temporarily or permanently restricts their use. When a donor restriction expires, that is when a time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified from temporarily restricted to unrestricted.

Sales revenue is recognized net of discounts and allowances at the time of sale.

Administrative Transfers

The Organization charges a 15% administrative transfer fee on most donations to cover administrative and fund raising expenses related to accepting and expending certain contributed income.

Donated Goods and Services

Certain donated services and goods that meet the criteria for recognition, are reflected in the financial statements at fair market value at the time of the donation.

Employees of affiliated organizations provide donated services in the sales areas and other volunteers also donate significant amounts of time in the areas of secretarial, business consulting and Board of Directors functions. These donated services are not included in the financial statements as they do not meet the criteria for recognition.

Functional Allocation of Expenses

The costs of providing various programs and other service 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 benefitted.

Advertising Expense

The Organization expenses the cost of advertising as it is incurred. Advertising expenses incurred in 2017 were \$15,618.

Prior-Year Amounts

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.

Subsequent Events

The Organization has performed an evaluation of subsequent events through June 15, 2018, which is the date the financial statements were available to be issued and considered any relevant matters in the preparation of the financial statements and footnotes.

(3) Tax Exempt Status

The Organization is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code. As such, donors are entitled to a charitable deduction for their contribution to the Organization.

The Organization follows *Accounting for Uncertainty in Income Taxes* accounting standard, which requires the Organization to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement, presuming that the tax position is examined by the appropriate December 31, 2017, the Organization's management evaluated its tax positions to determine the existence of uncertainties, and did not note any matters that would require recognition or which may have an affect on its tax-exempt status.

The Organization is no longer subject to U.S. federal audits on its Form 990 by taxing authorities for fiscal years ending prior to 2014. The years subsequent to these years contain matters that could be subject to differing interpretations of applicable tax laws and regulations. Although the outcome of tax audits is uncertain, the Organization believes no material issues would arise.

(4) Concentrations Of Credit Risk

The Organization's cash demand deposits are held at financial institutions at which deposits are insured up to \$250,000 by the FDIC. As of December 31, 2017, the Organization's cash demand deposits exceeded the FDIC limit by approximately \$1,588,000. The Organization requires its cash

ROCKY MOUNTAIN CONSERVANCY

Notes To Financial Statements (Continued)

Page -16-

account to exceed the FDIC limit in order to have cash available immediately for inventory purchases, use of undesignated funds, and for operations.

(5) Fair Value Measurements

The following table presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Equities (By Sector):				
Retail/wholesale	\$ 306,703	\$	\$	\$ 306,703
Industrial Goods	980,672			980,672
Consumer Goods	1,111,729			1,111,729
Energy	160,160			160,160
Financial	2,301,398			2,301,398
Healthcare	365,260			365,260
Technology	890,936			890,936
Communications	244,944			244,944
Real Estate	244,222			244,222
Media	194,168			194,168
Mutual Funds				
(By Type):				
Income Funds	869,859			869,859
Short Term Bond	1,454,312			1,454,312
Total Investments at Fair Value	<u>\$ 9,124,363</u>	<u>\$</u>	<u>\$</u>	<u>9,124,363</u>
Cash and cash equivalents				<u>1,258,599</u>
Total Investments				<u>\$10,382,962</u>

The changes in investments for which the Organization has used level 3 inputs to determine the fair values are as follows:

Balance, January 1, 2017	\$ 247,000
Sale of land held for sale	(247,000)
Balance, December 31, 2017	<u>\$ 0</u>

(6) Endowments

The Organization's endowments currently consist of a donor restricted fund of Land Acquisition for Rocky Mountain National Park ("RMNP") for the preservation or restoration of buildings or

land protection. In addition, there are board designated endowments for the benefit of RMNP, Next Generation Fund and RMNP Greenhouse. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Quasi-Endowments

The Organization has several endowment funds which have elements of both donor restricted and board designated funds within the endowments. The Organization has defined these funds as quasi-endowments within its financial statements. Quasi-endowment funds are funds functioning as an endowment that were established by the Organization, and will be retained and invested rather than expended. The quasi-endowment must retain the purpose and intent as specified by the donor or Board of Directors, and earnings may be expended only for those purposes. Since the quasi-endowments were established by the Organization's Board of Directors rather than by a donor, the principal may be expended as stipulated by the donor provided the quasi-fund was not created by permanently restricted funds.

Interpretation of Relevant Law

The Organization has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as not requiring the Organization to maintain the purchasing power of its donor-restricted endowment funds, if any, but only to preserve the donor-restricted endowment absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made pursuant to the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments

6. Other resources of the Organization

7. Investment policies of the Organization

Changes in Endowment Net Assets

Changes in endowment net assets for the year ended December 31, 2017, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning Endowment Net Assets	\$ 7,033,680	\$ 1,173,698	\$ 277,917	\$ 8,485,295
Contributions			100	100
Investment return:				
Interest & dividends, net of fees	93,782	15,544		109,326
Investment expenses	(72,339)	(11,745)		(84,084)
Net gain/loss on investments (realized and unrealized)	838,916	136,236		975,152
Total investment return	860,359	140,035		1,000,394
Appropriation of assets for expenditure	(4,687)			(4,687)
Endowment Net Assets, End of Year	<u>\$ 7,889,352</u>	<u>\$ 1,313,733</u>	<u>\$ 278,017</u>	<u>\$ 9,481,102</u>

As of December 31, 2017, endowment net assets consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment net assets	\$	\$ 1,313,733	\$ 278,017	\$ 1,591,750
Board designated endowment net assets	7,889,352			7,889,352
Total Endowments	<u>\$ 7,889,352</u>	<u>\$ 1,313,733</u>	<u>\$ 278,017</u>	<u>\$ 9,481,102</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. These deficiencies result from unfavorable market fluctuations that may occur after the investment of permanently restricted contributions and appropriation that was deemed prudent by the Board. As of December 31, 2017, no funds had such deficiencies.

Return Objectives and Risk Parameters

The Organization has adopted an investment policy that attempts to provide funding to programs supported by its endowment. Under this policy, as approved by the Board of Directors, the assets are invested in a manner that is intended to produce results that meet or exceed the market index, while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization policy permits spending up to 4% of a rolling three year average of the market value at the end of the prior fiscal year, subject to the limitation that no funds may be spent if such expenditure results in a reduction of asset value of the endowment to an amount less than the total of the original contribution received plus any future additional contributions. Only the accumulated net appreciation and income may be spent.

Variance Power

The Board retains the power and the duty to modify and eliminate any designation, restriction, or condition on the distribution of funds for any specified charitable purposes only if in its sole judgement (without the necessity or approval of any donor, custodian or agent) such designation, restriction or condition becomes in effect unnecessary, undesirable, impractical, incapable of fulfillment or inconsistent with charitable needs of the Organization as stipulated in its mission statement.

(7) Property and Equipment

Property and equipment consisted of the following as of December 31, 2017:

Land	\$ 170,000
Building and improvements	624,154
Equipment	343,336
Vehicles	224,931
Leasehold improvements	25,220
	<u>1,387,641</u>
Less: accumulated depreciation	(700,767)
Net property and equipment	<u><u>\$ 686,874</u></u>

(8) Line Of Credit

The Organization has a line of credit in the amount of \$500,000 with a financial institution at 5.25% which matures on August 18, 2018. A minimum payment of interest only is due each month. As of December 31, 2017, there was no balance owed on the line of credit. The Organization has granted a security interest in the property at 1895 Fall River Road, Estes Park, CO 80517 in order to obtain the line of credit.

(9) Retirement Plan

The Organization adopted a 401(k) profit sharing plan in September 2004. Eligibility requirements include that a participant has been employed with the Organization for at least one year, completed over 1,000 hours of service for the year, and be at least 21 years of age. Participants are 100% vested immediately.

The Organization matches participant contributions 100%, up to 4% of annual salary, and includes a discretionary profit sharing contribution. In 2017, the discretionary contribution was 4%. The Organization incurred \$42,110 in total contributions for the year ended December 31, 2017.

ROCKY MOUNTAIN CONSERVANCY

Notes To Financial Statements (Continued)

Page -21-

(10) **Net Assets**

Net assets are designated or restricted for the following purposes:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Savings/Aid Reserve	\$ 600,000	\$	\$
Operating Reserve	600,000		
Greenhouse Quasi-Endowment Fund	323,484		
Land and Historical Preservation Quasi-Endowment Fund	172,549	327,255	275,440
Next Generation Quasi-Endowment Fund	6,503,535	333,711	1,077
Legacy Quasi-Endowment Fund	567,131	330,114	1,500
Sustainability Quasi-Endowment Fund	322,653	322,653	
Next Generation Fund		109,462	
Trails		176,014	
Cascade Cottages		41,888	
Land Acquisition	108,980	4,872	
Bailey Fellowship		22,922	
Olson Fellowship		7,622	
Trail River Ranch		24,013	
RMNP License Plate		146,281	
Rocky Mountain National Park Funds	2,158,539	128,468	
Rocky Mountain Conservation Corps	90	19,332	
Sister Park Fund		34,196	
Project and Time Restriction		80,000	
Time restriction		6,500	
Total	<u>\$ 11,356,961</u>	<u>\$ 2,115,303</u>	<u>\$ 278,017</u>

Quasi-Endowments

Quasi-endowments are defined as having elements of both donor restricted and board designated funds within the endowments.

(11) **Expenses**

Total expenses incurred are as follows for the year ended December 31, 2017:

Total expenses reported by function	\$ 3,017,070
Cost of goods sold	1,737,993
Total expenses	<u>\$ 4,755,063</u>

(12) **Cooperating Association Agreement**

The Organization renewed the Cooperating Association Agreement (the “Agreement”) on December 10, 2015, with the National Park Service (“NPS”). The objective of this Agreement is for the Organization and NPS to work together to provide park visitors valuable interpretive and educational materials to facilitate an expanded appreciation of the National Park System. This Agreement dictates that NPS will approve all sales items available for sale at each park. It also states NPS will provide the Organization with a suitable sales area and other facilities to enable the Organization to conduct business. NPS reserves the right to relocate or withdraw any such facilities (upon reasonable notice) in order to meet the needs of NPS. The Organization and NPS also determine jointly the appropriate level of aid that the Organization will provide NPS based upon the nature and extent of the Organization’s activities and the needs of NPS. The Agreement is effective for a period of five years unless it is terminated earlier by one of the parties in accordance with the terms of the Agreement. The Agreement may be renewed for an additional five year period upon written agreement of the parties prior to expiration.

(13) **Friends Group Agreement**

The Organization renewed the Friends Group Agreement (the “Agreement”) on February 24, 2015. The Agreement between the Organization and NPS serves as a memorandum of understanding and is intended to provide a legal and policy framework for the philanthropic work the Organization provides for Rocky Mountain National Park. Both parties of the Agreement are responsible for promoting policies and best practices relating to philanthropy and donor appreciation as expressed within NPS Director’s Order #21 and its Reference Manual. Both parties agree to promote this relationship as a way of accomplishing mutual goals pursuant to this Agreement and recognize the partnership as a way of leveraging resources to accomplish philanthropic projects. Both parties agree to submit all materials intended for public distribution and that refer to the partnership or each other, to one another for advance review and approval. Both parties agree the Park Superintendent, or their designee, shall be a non-voting liaison to the Board of the Organization. NPS agrees to publically recognize the Organization as an official park support organization, support the Organization in its endeavors on behalf of NPS, and review proposed donations to ensure they meet NPS needs, requirements, and specifications. The Organization agrees to support the mission of NPS, establish and maintain a collaborative relationship with NPS, be qualified to solicit and accept philanthropic contributions under applicable state and federal laws, and insure that fundraising costs for Identified Projects do not exceed 20% of funds raised with no payment made as commissions or as a percentage of funds raised, and ensure that its Articles of Incorporation and Bylaws are consistent with the terms of this Agreement. The Agreement is effective for a period of five years unless it is terminated earlier by one of the parties in accordance with the terms of the Agreement. The Agreement may be renewed for an additional five year period upon written agreement of the parties prior to expiration.

ROCKY MOUNTAIN CONSERVANCY

Supplemental Schedule Of Functional Expenses

For The Year Ended December 31, 2017

(With Summarized Comparative Totals for the Year Ended December 31, 2016)

	Educational Product Sales	Comm Outreach	Membership	Field Institute	Other Agency Support	RMNP Support	Total Program Services	Fundraising	General and Admin	Total Support Services	2017 Total	2016 Total
Aid - direct	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Appeals and marketing	1,022	357	1,360	9,186	102,041	105,000	207,041	3,693		3,693	207,041	192,734
Bank, merchant, and investment fees	104,544		2,955	2,103		84,516	194,118	7,201	554	7,755	201,873	189,342
Board expenses									9,470	9,470	9,470	12,222
Compensation and benefits	456,651	154,389	52,593	95,853		86,875	846,361	127,899	259,669	387,568	1,233,929	1,257,523
Depreciation	26,880	1,893	946	29,988			59,707	946	1,420	2,366	62,073	54,884
Education honorariums				20,741		2,750	23,491				23,491	33,101
Events	173	1,113	12,793	300		552	14,931	21		21	14,952	22,564
Exhibits and facility improvement						150	150				150	30,000
Facilities expense	9,159	2,224	2,181	12,238		3,222	29,024	2,078	1,210	3,288	32,312	24,631
Information technology	34,275	8,846	6,769	11,736		2,679	64,305	11,417	6,206	17,623	81,928	63,978
Insurance	19,796	62	588	12,882		1,853	35,181	684	4,574	5,258	40,439	34,891
Legal and professional fees									41,659	41,659	41,659	56,288
Meetings, training, and conferences	8,645	2,202	1,288	3,165		9,678	24,978	2,592	5,177	7,769	32,747	41,783
Membership premiums			16,718				16,718				16,718	19,443
Miscellaneous	1,257	1,782	46	548		81	3,714	139	174	313	4,027	10,117
Office expense	33,442	9,679	4,047	8,383		20,737	76,288	11,050	7,430	18,480	94,768	89,162
Printing and postage	8,433	6,781	17,447	14,297		65	47,023	23,380	(551)	22,829	69,852	78,295
Program reimbursements				(24,431)		20,000	(4,431)				(4,431)	
Project labor and housing				1,768		382,210	383,978				383,978	395,381
Project supplies						403,986	403,986				403,986	54,098
Sales fulfillment	9,650						9,650				9,650	9,373
Land protection												2,070,500
Vehicle and travel	12,100	508		7,331		16,963	36,902	573	3,365	3,938	40,840	44,708
Total	\$ 726,027	\$ 189,836	\$ 119,731	\$ 206,088	\$ 102,041	\$ 1,141,317	\$ 2,485,040	\$ 191,673	\$ 340,357	\$ 532,030	\$ 3,017,070	\$ 4,801,664