

COTTONWOOD INSTITUTE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

TOGETHER WITH INDEPENDENT ACCOUNTANTS' REVIEW REPORT

COTTONWOOD INSTITUTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

CONTENTS

	<u>Page</u>
Independent Accountants' Review Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

TAYLORROTH

Certified Public Accountants

WORKING EXCLUSIVELY WITH NONPROFITS

February 1, 2024

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Cottonwood Institute
Denver, Colorado

Opinion

We have reviewed the accompanying statements of **Cottonwood Institute**, (a Colorado nonprofit corporation), which comprise the statement of financial position as of September 30, 2023 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, we 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; this includes the design, implementation and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Cottonwood Institute and meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our review.

Accountants' Conclusion

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

Report on 2022 Financial Statements

The financial statements for the year ended September 30, 2022, were audited by us and we expressed an unmodified opinion on them in our report dated February 8, 2023, but we have not performed any auditing procedures since that date.

Report on Summarized Comparative Information

We previously audited Cottonwood Institute's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 8, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Taylor Roth and Company PLLC

TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
DENVER COLORADO

COTTONWOOD INSTITUTE
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	<u>Reviewed</u> 2023	<u>Audited</u> 2022
<u>Assets</u>		
Cash and cash equivalents	\$ 223,337	\$ 285,363
Contributions receivable (Note 4)	74,600	15,213
Investments (Note 5)	105,086	88,722
Property and equipment (Note 6)	<u>13,176</u>	<u>16,945</u>
Total assets	<u>\$ 416,199</u>	<u>\$ 406,243</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 8,389	\$ 3,960
Payroll liabilities	18,638	10,955
Note payable (Note 7)	<u>145,193</u>	<u>145,133</u>
Total liabilities	172,220	160,048
<u>Net assets</u>		
Without donor restrictions	179,637	224,203
With donor restrictions (Note 8)	<u>64,342</u>	<u>21,992</u>
Total net assets	<u>243,979</u>	<u>246,195</u>
Total liabilities and net assets	<u>\$ 416,199</u>	<u>\$ 406,243</u>

See accompanying notes and independent accountants' review report

COTTONWOOD INSTITUTE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	Reviewed 2023		Audited 2022	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Special events	\$ 213,316	\$ -	\$ 213,316	\$ 155,834
Less: direct expenses	(42,732)	-	(42,732)	(18,218)
Foundations	96,863	100,500	197,363	118,160
Community grants and projects	146,443	-	146,443	112,801
Contributions	139,078	4,000	143,078	141,412
Government fee for service	7,077	23,100	30,177	33,257
Investment income	9,439	-	9,439	(19,292)
COVID pandemic government funding (Note 9)	-	-	-	113,894
Other	1,048	-	1,048	2,692
In-kind (Note 10)	17,810	-	17,810	-
Net assets released from restrictions (Note 11)	85,250	(85,250)	-	-
Total revenue and other support	<u>673,592</u>	<u>42,350</u>	<u>715,942</u>	<u>640,540</u>
<u>Expense</u>				
Program services	655,894	-	655,894	588,166
Supporting services				
Management and general	50,144	-	50,144	26,975
Fundraising	12,120	-	12,120	13,692
Total expense	<u>718,158</u>	<u>-</u>	<u>718,158</u>	<u>628,833</u>
Change in net assets	(44,566)	42,350	(2,216)	11,707
Net assets, beginning of year	<u>224,203</u>	<u>21,992</u>	<u>246,195</u>	<u>234,488</u>
Net assets, end of year	<u>\$ 179,637</u>	<u>\$ 64,342</u>	<u>\$ 243,979</u>	<u>\$ 246,195</u>

See accompanying notes and independent accountants' review report

COTTONWOOD INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	Reviewed 2023			Audited 2022	
	<u>Supporting Services</u>				
	Management and General		Fund- raising	Total	Total
	Program	General	Fund- raising	Total	Total
Salaries	\$ 422,178	\$ 7,260	\$ 8,631	\$ 438,069	390,235
Payroll taxes and benefits	70,991	6,599	362	77,952	70,957
Contractors	31,878	-	-	31,878	23,127
Vehicles	17,626	450	-	18,076	11,302
Telephone and internet	6,418	10,045	24	16,487	4,243
Accounting	-	15,666	-	15,666	10,842
Insurance	12,469	-	-	12,469	10,582
Program materials	12,083	-	-	12,083	8,961
Program supplies	11,585	-	-	11,585	14,117
Occupancy	10,034	-	-	10,034	9,360
Facility and land access	8,328	-	-	8,328	4,502
Travel	8,215	52	48	8,315	8,901
Scholarships	8,258	-	-	8,258	3,520
Membership and subscription	6,182	1,137	662	7,981	9,981
Interest	7,729	-	-	7,729	4,117
Professional services	5,396	1,148	998	7,542	18,594
Fees	-	6,613	310	6,923	4,824
Professional development	5,618	-	-	5,618	5,454
Meals	2,688	80	231	2,999	1,477
Printing	2,161	285	-	2,446	2,416
Marketing	1,288	-	-	1,288	238
Postage	1,034	124	-	1,158	1,342
Merchandise	494	-	207	701	5,144
All other	603	120	82	805	829
	<u>653,256</u>	<u>49,579</u>	<u>11,555</u>	<u>714,390</u>	<u>625,065</u>
Depreciation expense	2,638	565	565	3,768	3,768
Total expenses	<u>\$ 655,894</u>	<u>\$ 50,144</u>	<u>\$ 12,120</u>	<u>\$ 718,158</u>	<u>\$ 628,833</u>

See accompanying notes and independent accountants' review report

COTTONWOOD INSTITUTE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	<u>Reviewed</u> 2023	<u>Audited</u> 2022
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (2,216)	\$ 11,707
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	3,768	3,768
Realized and unrealized (gain) loss on investments	(6,248)	23,626
Forgiveness of PPP loan	-	(58,364)
<u>Changes in operating assets and liabilities</u>		
Decrease(increase) in contributions receivable	(59,387)	2,688
Increase(decrease) in accounts payable	4,429	3,960
Increase(decrease) in payroll liabilities	7,683	10,955
Net cash provided(used) by operating activities	<u>(51,971)</u>	<u>(1,660)</u>
<u>Changes in investing activities</u>		
(Reinvestment) of dividends and interest	(2,497)	(4,334)
(Purchases) of investments	<u>(7,619)</u>	<u>-</u>
Net cash provided(used) by investing activities	<u>(10,116)</u>	<u>(4,334)</u>
<u>Changes in financing activities</u>		
Borrowing (repayment) on note payable EIDL loan	<u>61</u>	<u>(3,576)</u>
Net increase(decrease) in cash and cash equivalents	(62,026)	(9,570)
Cash and cash equivalents, beginning of year	<u>285,363</u>	<u>294,933</u>
Cash and cash equivalents, end of year	<u>\$ 223,337</u>	<u>\$ 285,363</u>
<u>Supplemental disclosure of information</u>		
Cash paid during the fiscal year for interest	<u>\$ 7,729</u>	<u>\$ 4,117</u>

See accompanying notes and independent accountants' review report

COTTONWOOD INSTITUTE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

NOTE 1 - NATURE OF ACTIVITIES

Cottonwood Institute (the Organization) was established and incorporated as a nonprofit organization in the state of Colorado in 2004. The Organization's mission is to connect middle and high school students to nature and inspire them to protect it. The Organization is supported primarily by special events, foundations, community grants and projects.

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 financial statements of Cottonwood Institute have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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, except for those which are held for long term purposes.

4. Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received; conditional promises to give with a measurable performance barrier and a right of return are not recognized until the conditions on which they depend have been met.

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 \$2,500. 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. Fair Value Measurements

The Organization follows the provisions of the Fair Value Measurements and Disclosures Topic of FASB ASC, which requires 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).

9. Functional Reporting of Expenses

For the year ended September 30, 2023, 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. The allocations are determined by management on a rational and systematic basis. Salaries and professional fees are allocated using time and effort. Other expenses are assigned directly to the program or functional area benefited.

10. 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 September 30, 2022, from which the summarized information was derived.

11. Subsequent Events

Management has evaluated subsequent events through February 1, 2024, the date the financial statements were available to be issued.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at September 30, 2023:

<u>Description</u>	<u>Amount</u>
Cash and cash equivalents	\$ 223,337
Contributions receivable	74,600
Investments	<u>105,086</u>
Total financial assets	403,023
Less: amounts not available for general expenditures within one year, due to:	
Net assets with donor restrictions	(64,342)
Total financial assets available to meet general expenditures over the next twelve months	<u>\$ 338,681</u>

The Organization's goal is generally to maintain financial assets to meet six months of operating expenses. Management considers donor restricted contributions that will be used within one year as part of its ordinary operations, as being available for general expenditures.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

At year-end grants receivable consists of foundation and government awards. Management has evaluated the receivables and does not believe that an allowance for doubtful accounts is needed. Management believes that any present value discount would be immaterial to these financial statements.

Expected receipts are as follows:

<u>Fiscal year</u>	<u>Amount</u>
2024	<u>\$ 74,600</u>

NOTE 5 - INVESTMENTS

In conformity with generally accepted accounting principles, investments are stated at fair value (Level 1 inputs) and consist of:

<u>Description</u>	<u>Fair Value</u>
Cash	\$ 1,267
Certificate of deposit	7,988
Bonds	26,130
Equity funds	62,164
Exchange traded funds	<u>7,537</u>
Total	<u>\$ 105,086</u>

NOTE 5 - INVESTMENTS (Concluded)

Investment income is summarized as follows:

<u>Description</u>	<u>Amount</u>
Interest and dividend income	\$ 3,151
Management fees	(654)
Unrealized gains (losses)	<u>6,248</u>
Net investment return	<u>\$ 8,745</u>

In addition, the Organization earned \$694 on its cash and cash equivalents.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Vehicle	\$ 28,248
Less: accumulated depreciation	<u>(15,072)</u>
Net property and equipment	<u>\$ 13,176</u>

Depreciation expense for the year was \$3,768.

NOTE 7 - ECONOMIC INJURY DEVELOPMENT LOAN

In June 2020, the Foundation received \$150,000 pursuant to the Economic Injury Disaster Loan (EIDL) established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act. EIDL provides loans to qualifying businesses for amounts up to \$150,000. The EIDL is payable over thirty years at an interest rate of 2.75%. The minimum monthly payment is \$641. The remaining balance of principal and interest will be payable on June 16, 2050.

Future scheduled principal payments on the loan are as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 3,851
2025	3,959
2026	4,069
2027	4,299
2028	4,419
2029 and thereafter	<u>124,596</u>
Total	<u>\$ 145,193</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

At year end, net assets with donor restrictions are available for the following purposes:

<u>Description</u>	<u>Amount</u>
Changemakers	\$ 30,000
Longmont Children	15,600
CAP program	13,000
CO Outdoors	3,750
Other restricted program	<u>1,992</u>
Total	<u>\$ 64,342</u>

NOTE 9 - COVID PANDEMIC GOVERNMENT FUNDING

In the prior year, the Organization received federal government funding under COVID and Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) programs listed below:

<u>Description</u>	<u>Amount</u>
Paycheck Protection Program loan forgiveness	\$ 58,364
Employee Retention Credits	<u>55,530</u>
Total	<u>\$ 113,894</u>

NOTE 10 - IN-KIND CONTRIBUTIONS

Donated services are reflected in the accompanying statements at their estimated values at date of receipt. The value of donated services of website updates and legal services were recorded using industry pricing for similar professional services. All gifts-in-kind received during the year were unrestricted. For the year ended, in-kind contributions consisted of:

<u>Description</u>	<u>Utilization in Programs/Activities</u>	<u>Valuation</u>	<u>Revenue Recognized</u>
Website update	General admin	Industry pricing for similar services	\$ 10,000
Legal services	General admin	Industry pricing for similar services	<u>7,810</u>
Total			<u>\$ 17,810</u>

NOTE 11 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

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

<u>Description</u>	<u>Amount</u>
CAP program	\$ 32,500
CO Watershed project	20,000
Changemakers	15,000
Youth projects	10,000
AVID scholarship	4,000
CO Outdoors	<u>3,750</u>
Total	<u>\$ 85,250</u>

NOTE 12 - PENSION PLAN

The Organization has a SIMPLE IRA retirement plan (the Plan) covering all eligible employees. The Organization makes a contribution to the Plan each year equal to 3% of all participants' compensation. Total pension plan expense for the year was \$11,730.