

LEAVE NO TRACE CENTER FOR
OUTDOOR ETHICS

Financial Statements For The Years Ended
December 31, 2017 and 2016

Together With Independent Auditors' Report

JDS professional
group
certified public accountants, consultants and advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Leave No Trace Center For Outdoor Ethics:

Report on the Financial Statements

We have audited the accompanying financial statements of Leave No Trace Center For Outdoor Ethics (the "Organization"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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.

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 Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Leave No Trace Center For Outdoor Ethics as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 14 and 15 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 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

April 24, 2018

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Statements Of Financial Position
As Of December 31, 2017 And 2016

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ASSETS	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 365,586	\$ 179,422
Accounts receivable, net of allowance	85,241	103,144
Prepayments	24,213	32,616
Inventory, net of allowance	106,792	111,059
Furniture and equipment, net of accumulated depreciation of \$64,214 and \$49,868, respectively	<u>47,402</u>	<u>41,999</u>
TOTAL ASSETS	<u>\$ 629,234</u>	<u>\$ 468,240</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 7,585	\$ 19,780
Accrued liabilities	<u>30,997</u>	<u>10,298</u>
Total Liabilities	<u>38,582</u>	<u>30,078</u>
Net Assets:		
Unrestricted -		
Undesignated	309,694	308,991
Designated for future operations	<u>97,850</u>	<u>97,850</u>
Total Unrestricted	407,544	406,841
Temporarily restricted	<u>183,108</u>	<u>31,321</u>
Total Net Assets	<u>590,652</u>	<u>438,162</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 629,234</u>	<u>\$ 468,240</u>

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

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Statement Of Activities

For The Year Ended December 31, 2017

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>
Support and Revenue:			
Support -			
Contributions and grants	\$ 1,379,478	\$ 183,108	\$ 1,562,586
In-kind contributions	95,164		95,164
Total Support	<u>1,474,642</u>	<u>183,108</u>	<u>1,657,750</u>
Revenue -			
Service fees	276,932		276,932
Sales revenue	241,110		
Less: Cost of goods sold	<u>(124,017)</u>		117,093
Other income	6,890		6,890
Net assets released from restrictions -			
Satisfaction of program restrictions	31,321	(31,321)	
Total Revenue	<u>1,906,878</u>	<u>151,787</u>	<u>2,058,665</u>
Expenses:			
Program Services -			
Education and outreach	1,584,768		1,584,768
Supporting Services -			
General and administrative	123,874		123,874
Fundraising	197,533		197,533
Total Supporting Services	<u>321,407</u>		<u>321,407</u>
Total Expenses	<u>1,906,175</u>		<u>1,906,175</u>
CHANGE IN NET ASSETS	703	151,787	152,490
Net Assets, Beginning Of Year	<u>406,841</u>	<u>31,321</u>	<u>438,162</u>
NET ASSETS, END OF YEAR	<u>\$ 407,544</u>	<u>\$ 183,108</u>	<u>\$ 590,652</u>

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

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Statement Of Activities

For The Year Ended December 31, 2016

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>
Support and Revenue:			
Support -			
Contributions and grants	\$ 1,179,810	\$ 31,321	\$ 1,211,131
In-kind contributions	77,294		77,294
Total Support	<u>1,257,104</u>	<u>31,321</u>	<u>1,288,425</u>
Revenue -			
Service fees	75,541		75,541
Sales revenue	206,176		
Less: Cost of goods sold	<u>(108,290)</u>		97,886
Other income	3,887		3,887
Net assets released from restrictions -			
Satisfaction of program restrictions	155,949	(155,949)	
Total Revenue	<u>1,590,367</u>	<u>(124,628)</u>	<u>1,465,739</u>
Expenses:			
Program Services -			
Education and outreach	1,308,846		1,308,846
Supporting Services -			
General and administrative	115,883		115,883
Fundraising	147,501		147,501
Total Supporting Services	<u>263,384</u>		<u>263,384</u>
Total Expenses	<u>1,572,230</u>		<u>1,572,230</u>
CHANGE IN NET ASSETS	18,137	(124,628)	(106,491)
Net Assets, Beginning Of Year	<u>388,704</u>	<u>155,949</u>	<u>544,653</u>
NET ASSETS, END OF YEAR	<u>\$ 406,841</u>	<u>\$ 31,321</u>	<u>\$ 438,162</u>

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

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Statements Of Cash Flows
For The Years Ended December 31, 2017 And 2016

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	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 152,490	\$ (106,491)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	25,562	23,830
(Gain) on disposal of assets	(1,305)	(875)
Donated equipment	(12,000)	
Changes in assets and liabilities:		
Decrease in accounts receivable	17,903	11,545
(Increase) in promise to give		(41,000)
(Increase) decrease in prepayments	8,403	(14,808)
Decrease in inventory	4,267	7,984
(Decrease) in accounts payable	(12,195)	(17,095)
Increase in accrued liabilities	20,699	1,364
Net cash provided by (used in) operating activities	<u>203,824</u>	<u>(135,546)</u>
Cash flows from investing activities		
Acquisition of property and equipment	(19,469)	(14,975)
Proceeds from sale of property and equipment	1,809	1,345
Net cash (used in) investing activities	<u>(17,660)</u>	<u>(13,630)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	186,164	(149,176)
Cash And Cash Equivalents, Beginning Of Year	<u>179,422</u>	<u>328,598</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 365,586</u></u>	<u><u>\$ 179,422</u></u>

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

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Notes To Financial Statements
For The Years Ended December 31, 2017 And 2016

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(1) **Nature Of Organization**

Leave No Trace Center for Outdoor Ethics (the “Organization”) was incorporated as a not-for-profit organization in 1994. The Organization teaches people of all ages how to enjoy the outdoors responsibly, and is the most widely accepted outdoor ethics program used on public lands. Through relevant and targeted education, research and outreach, the Organization ensures the long-term health of our natural world. In its simplest form, Leave No Trace is about making good decisions to protect the world around you - the world we all enjoy.

The Organization’s major sources of revenue are contributions and grants.

(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

Financial statement presentation follows the recommendations of *Financial Statements for Not-for-Profit Organizations*. Under this standard, the Organization is required to report information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2017 and 2016, the Organization only had unrestricted and temporarily restricted net assets.

Use Of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash And Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash demand deposits and all highly liquid debt instruments with an original maturity of three months or less.

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Notes To Financial Statements (Continued)

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Fair Value Measurements

The carrying amount reported in the statement of financial position for cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

Receivables

Receivables are charged to bad debt when they are deemed uncollectible. Receivables are presented net of an allowance for doubtful accounts of \$1,000 as of December 31, 2017 and 2016.

Promise To Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and promises become unconditional.

Furniture And Equipment

Furniture and equipment are stated at cost or at fair market value in the case of donated items. Depreciation is provided using the straight-line method over an estimated useful life of 2 to 7 years. The Organization capitalizes purchases greater than \$500.

Contributions And Grants

The Organization follows the requirements of *Accounting for Contributions Received and Contributions Made*. In accordance with this standard, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending upon the existence and/or nature of donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets. When a 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.

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Notes To Financial Statements (Continued)

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Inventory

Inventory consists of educational and promotional items held for resale and for promotional distribution purposes. Items include skills and ethics booklets, pamphlets, reference cards, shirts, hats, mugs, and other similar products. Inventory is recorded at the lower of cost or market using the first-in, first-out method. Inventory is presented net of an allowance for obsolete inventory of \$3,000, as of December 31, 2017 and 2016.

Shipping And Handling Costs

Freight billed to customers is considered sales revenue and the related freight costs as postage and shipping included in program services. For the years ended December 31, 2017 and 2016, freight costs amounted to \$32,392 and \$24,294, respectively.

Advertising

The Organization expenses advertising costs when incurred.

Functional Allocation of Expenses

The costs of providing the various programs and 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.

Evaluation of Subsequent Events

The Organization has performed an evaluation of subsequent events through April 24, 2018, which is the date the financial statements were available to be issued, and has considered any relevant matters in the preparation of the financial statements and footnotes.

(3) Tax Exempt Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been provided. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). Accordingly, the accompanying financial statements contain no provision for income taxes.

The Organization follows *Accounting for Uncertainty in Income Taxes* accounting standard which requires them to determine whether a tax position (and the related tax benefit) is more likely than not

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Notes To Financial Statements (Continued)

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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 taxing authority that has full knowledge of all relevant information. During the year ended 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 tax audits on its Form 990 by taxing authorities for years ending prior to December 31, 2014. The years subsequent to this year 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

During the years ended December 31, 2017 and 2016, the Organization received 39% and 28% of its total revenue from one contributor. The contributor has been a major sponsor of the Organization since 1999.

(5) Temporarily Restricted Net Assets

Temporarily restricted net assets for the years ended December 31, 2017 and 2016 consisted of the following:

	2017	2016
Traveling Trainer program	\$ 112,875	\$
Little Rock Master Educator Course	4,500	
Citizen Science Program	31,413	
Zero Landfill Initiative	34,320	
National Youth Initiative		25,214
Research		6,107
	<u>\$ 183,108</u>	<u>\$ 31,321</u>

(6) Lease Commitments

The Organization leases its office space in Boulder, Colorado under an operating lease which expires in 2019. Rent expense for the years ended December 31, 2017 and 2016 was \$62,939 and \$60,687, respectively.

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Notes To Financial Statements (Continued)

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Future minimum lease payments as of December 31, 2017, are:

Year ending December 31,	
2018	\$ 49,528
2019	25,130
	<u>\$ 74,658</u>

(7) **In-Kind**

In-kind goods and services are reflected in the financial statements at the estimated fair value at the date of receipt. The majority of the in-kind is reflected in the program expenses. In-kind amounted to the following for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Donated goods	\$ 94,390	\$ 67,934
Donated services	774	9,360
	<u>\$ 95,164</u>	<u>\$ 77,294</u>

(8) **Expenses**

Total expenses incurred are as follows for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Total expenses reported by function	\$ 1,906,175	\$ 1,572,230
Cost of goods sold	124,017	108,290
Total expenses	<u>\$ 2,030,192</u>	<u>\$ 1,680,520</u>

(9) **Retirement Plan**

The Organization maintains a SIMPLE IRA retirement plan for its eligible employees who can contribute the lesser of their gross wages or the maximum contribution limit established annually by the IRS. The Organization contributes the lesser of 3% of the eligible employees' gross wages or the employees' contributed amount. The Organization contributed \$17,201 and \$15,346 to the SIMPLE IRA for the years ended December 31, 2017 and 2016, respectively.

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Notes To Financial Statements (Continued)

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(10) **Memorandum Of Understanding**

The Organization entered into a Memorandum Of Understanding agreement (“MOU”) with the United States Department of Agriculture - Forest Service; United States Department of the Interior - Bureau of Land Management; National Park Service; and United States Fish and Wildlife Service, and United States Department of Defense - United States Army Corps of Engineers. The MOU allows the Organization to use the Leave No Trace name and trademarks, including the words “Leave No Trace” in any form of lettering for its programs, with prior written approval required in some cases. The MOU may be amended upon written agreement of both parties and either party may terminate this MOU after 60 days written notice.

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Supplemental Schedule Of Functional Expenses
For The Year Ended December 31, 2017

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	<u>Program Services</u>	<u>General Admin.</u>	<u>Fund- raising</u>	<u>2017 Total</u>
Salaries	\$ 726,485	\$ 85,136	\$ 107,295	\$ 918,916
Staff benefits	78,054	9,147	11,528	98,729
Pension plan	13,599	1,594	2,008	17,201
Payroll taxes	59,140	6,931	8,735	74,806
Total salaries and related expenses	<u>877,278</u>	<u>102,808</u>	<u>129,566</u>	<u>1,109,652</u>
Advertising and marketing	1,798	-	1,799	3,597
Auto expense	40,857	2,150	-	43,007
Communications	16,119	636	1,557	18,312
Depreciation	22,500	888	2,174	25,562
Educational programs	248,183	-	-	248,183
Insurance	26,277	1,037	2,539	29,853
Meals and entertainment	1,177	46	114	1,337
Meetings	9,889	390	955	11,234
Membership program expense	28,244	-	28,243	56,487
Office expense	15,791	623	1,526	17,940
Postage and shipping	33,902	4,238	4,238	42,378
Printing	3,780	149	365	4,294
Professional fees	63,857	7,095	-	70,952
Rent	53,713	2,617	6,609	62,939
Show expenses	19,188	-	4,797	23,985
Storage	2,200	-	-	2,200
Travel	112,987	855	12,186	126,028
Utilities	7,028	342	865	8,235
Total	<u>\$ 1,584,768</u>	<u>\$ 123,874</u>	<u>\$ 197,533</u>	<u>\$ 1,906,175</u>

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Supplemental Schedule Of Functional Expenses
For The Year Ended December 31, 2016

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	Program Services	General Admin.	Fund- raising	2016 Total
Salaries	\$ 616,209	\$ 80,066	\$ 67,562	\$ 763,837
Staff benefits	62,282	8,093	6,829	77,204
Pension plan	12,380	1,609	1,357	15,346
Payroll taxes	50,360	6,543	5,521	62,424
Total salaries and related expenses	<u>741,231</u>	<u>96,311</u>	<u>81,269</u>	<u>918,811</u>
Advertising and marketing	1,293	-	1,293	2,586
Auto expense	35,743	1,881	-	37,624
Communications	12,428	542	875	13,845
Depreciation	21,390	933	1,507	23,830
Educational programs	155,405	-	-	155,405
Insurance	24,983	1,090	1,760	27,833
Meals and entertainment	1,302	57	92	1,451
Meetings	7,872	343	554	8,769
Membership program expense	32,346	-	32,347	64,693
Office expense	13,265	579	934	14,778
Postage and shipping	29,449	3,681	3,681	36,811
Printing	2,100	92	148	2,340
Professional fees	44,186	4,910	-	49,096
Rent	50,169	4,023	6,495	60,687
Show expenses	13,882	-	3,470	17,352
Storage	2,035	-	-	2,035
Travel	112,396	850	12,122	125,368
Utilities	7,371	591	954	8,916
Total	<u>\$ 1,308,846</u>	<u>\$ 115,883</u>	<u>\$ 147,501</u>	<u>\$ 1,572,230</u>