LEAVE NO TRACE CENTER FOR OUTDOOR ETHICS

Financial Statements For The Years Ended
December 31, 2018 and 2017

Together With Independent Auditors' Report

JDS professional group

certified public accountants, consultants and advisors

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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, 2018 and 2017, and the related statements of activities, functional expenses, 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.

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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, 2018 and 2017, 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.

Effect of Adopting New Accounting Standard

As discussed in Note 2, the Organization adopted the Financial Accounting Standards Board's Accounting Standards update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958)-Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

JDS Professional Group

April 17, 2019

LEAVE NO TRACE CENTER FOR OUTDOOR ETHICS

Statements Of Financial Position
As Of December 31, 2018 And 2017

ASSETS	2018	2017
Cash and cash equivalents	$ 504,883	$ 365,586
Accounts receivable, net of allowance	114,631	85,241
Promises to give, net of discount	22,950	
Prepayments	23,668	24,213
Inventory, net of allowance	110,442	106,792
Furniture and equipment, net of accumulated depreciation of $77,183 and $64,214, respectively	61,650	47,402
TOTAL ASSETS	$ 838,224	$ 629,234
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 75,459	$ 7,585
Accrued liabilities	49,895	30,997
Total Liabilities	125,354	38,582
Net Assets:		
Without donor restrictions -		
Undesignated	370,260	309,694
Designated for future operations	97,850	97,850
Total Without Donor Restrictions	468,110	407,544
With donor restrictions	244,760	183,108
Total Net Assets	712,870	590,652
TOTAL LIABILITIES AND NET ASSETS	$ 838,224	$ 629,234

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

LEAVE NO TRACE CENTER FOR OUTDOOR ETHICS

Statement Of Activities
For The Year Ended December 31, 2018

		Without Donor Restrictions	With Donor Restrictions	2018 Total
Support and Revenue:				
Support -				
Contributions and grants		$ 1,734,063	$ 244,760	$ 1,978,823
In-kind contributions		81,629		81,629
Total Support		1,815,692	244,760	2,060,452
Revenue -				
Service fees		19,245		19,245
Sales revenue	260,819			
Less: Cost of goods sold	(143,152)	117,667		117,667
Other income		12,512		12,512
Net assets released from restrictions -				
Satisfaction of program restrictions		183,108	(183,108)	
Total Revenue		2,148,224	61,652	2,209,876
Expenses:				
Program Services -				
Education and outreach		1,701,819		1,701,819
Supporting Services -				
General and administrative		206,764		206,764
Fundraising		179,075		179,075
Total Supporting Services		385,839		385,839
Total Expenses		2,087,658		2,087,658
CHANGES IN NET ASSETS FROM OPERATIONS		60,566	61,652	122,218
Net Assets, Beginning Of Year		407,544	183,108	590,652
NET ASSETS, END OF YEAR		$ 468,110	$ 244,760	$ 712,870

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

Statement Of Activities
For The Year Ended December 31, 2017

		Without Donor Restrictions	With Donor Restrictions	2017 Total
Support and Revenue:				
Support -				
Contributions and grants		$ 1,566,398	$ 183,108	$ 1,749,506
In-kind contributions		95,164		95,164
Total Support		1,661,562	183,108	1,844,670
Revenue -				
Service fees		90,012		90,012
Sales revenue	241,110			
Less: Cost of goods sold	(124,017)	117,093		117,093
Other income		6,890		6,890
Net assets released from restrictions -				
Satisfaction of program restrictions		31,321	(31,321)	
Total Revenue		1,906,878	151,787	2,058,665
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		321,407		321,407
Total Expenses		1,906,175		1,906,175
CHANGES IN NET ASSETS FROM OPERATIONS		703	151,787	152,490
Net Assets, Beginning Of Year		406,841	31,321	438,162
NET ASSETS, END OF YEAR		$ 407,544	$ 183,108	$ 590,652

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

	Program Services	General Admin.	Fundraising	2018 Total
Salaries	$ 784,112	$ 145,801	$ 91,365	$ 1,021,278
Staff benefits	90,853	16,894	10,586	118,333
Pension plan	12,672	2,357	1,477	16,506
Payroll taxes	62,622	11,644	7,297	81,563
Total salaries and related expenses	950,259	176,696	110,725	1,237,680
Advertising and marketing	1,299	-	1,299	2,598
Auto expense	48,299	2,542	-	50,841
Communications	14,592	1,336	1,068	16,996
Depreciation	22,388	2,050	1,638	26,076
Educational programs	315,391	-	-	315,391
Insurance	30,644	2,804	2,242	35,690
Meetings	9,928	909	726	11,563
Membership program expense	29,700	-	29,700	59,400
Office expense	17,365	1,590	1,271	20,226
Postage and shipping	38,764	4,846	4,846	48,456
Printing	5,437	498	398	6,333
Professional fees	25,960	2,884	-	28,844
Rent	49,596	8,539	6,825	64,960
Show expenses	21,330	-	5,333	26,663
Storage	2,255	-	-	2,255
Travel	111,487	843	12,024	124,354
Utilities	7,125	1,227	980	9,332
Total	$ 1,701,819	$ 206,764	$ 179,075	$ 2,087,658

	Program Services	General Admin.	Fundraising	2017 Total
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	877,278	102,808	129,566	1,109,652
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	$ 1,584,768	$ 123,874	$ 197,533	$ 1,906,175

LEAVE NO TRACE CENTER FOR OUTDOOR ETHICS

Statements Of Cash Flows
For The Years Ended December 31, 2018 And 2017

	2018	2017
Cash flows from operating activities:		
Changes in net assets	$ 122,218	$ 152,490
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	26,076	25,562
(Gain) on disposal of assets	(1,633)	(1,305)
Donated equipment		(12,000)
Inventory obsolescence	6,000	
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(29,390)	17,903
(Increase) in promises to give	(22,950)	
Decrease in prepayments	545	8,403
(Increase) decrease in inventory	(9,650)	4,267
Increase (decrease) in accounts payable	67,874	(12,195)
Increase in accrued liabilities	18,898	20,699
Net cash provided by operating activities	177,988	203,824
Cash flows from investing activities		
Acquisition of property and equipment	(42,487)	(19,469)
Proceeds from sale of property and equipment	3,796	1,809
Net cash (used in) investing activities	(38,691)	(17,660)
NET INCREASE IN CASH AND CASH EQUIVALENTS	139,297	186,164
Cash And Cash Equivalents, Beginning Of Year	365,586	179,422
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 504,883	$ 365,586

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

(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 Accounting

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 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 must be maintained in perpetuity.

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non operating activities. Operating activities consists of those items attributable to the Organization's ongoing program services. Nonoperating activities are limited to resources that generate other activities considered to be of a more unusual or nonrecurring nature.

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.

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, 2018 and 2017.

Promise To Give

Unconditional promises are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in more than one year are initially recorded at fair value. That fair value is computed using a present value technique applied to anticipated cash flows discounted using a risk-free interest rate of 2.92% return, which as of December 31, 2018, amounted to $22,950. Amortization of the resulting discount is recognized as additional contribution revenue in subsequent periods. As of December 31, 2018, the unamortized discount was $2,050.

Conditional promises to give are recognized as revenue only when the conditions on which they depend are substantially met and the 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 net assets without donor restrictions or net assets with donor restrictions, depending upon the existence and/or nature of donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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 $9,000 and $3,000, as of December 31, 2018 and 2017, respectively.

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, 2018 and 2017, freight costs amounted to $34,700 and $32,392, respectively.

Advertising

The Organization expenses advertising costs when incurred.

Methods Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions. Accordingly, certain expenses require allocation on a reasonable and consistently applied basis. Such allocations are determined by management and include the following:

Time and Effort	Full-Time Equivalents
Salaries and benefits	Communications
Advertising and marketing	Depreciation
Auto expense	Insurance
Educational programs	Meetings
Membership program expense	Office expense
Postage and shipping	Printing
Professional fees	Rent
Show expenses	Utilities
Storage	
Travel	

Adoption of New Accounting Pronouncement

For the year ended December 31, 2018, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The change required by the update have been applied retrospectively to all periods presented. A key change required by ASU No. 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

Evaluation of Subsequent Events

The Organization has performed an evaluation of subsequent events through April 17, 2019, 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 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, 2018, 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, 2015. 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, 2018 and 2017, the Organization received 40% and 39% of its total revenue from one contributor. The contributor has been a major sponsor of the Organization since 1999.

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, 2018, the Organization's cash demand deposits are in excess of the FDIC's insurance limit of $250,000 by approximately $48,000.

(5) Unconditional Promises to Give

Unconditional promises to give consisted of the following as of December 31, 2018:

		2018
Receivables due in less than one year	$	5,000
Receivables due in one to five years		20,000
Total receivables		25,000
Less: unamortized discount		2,050
	$	22,950

As of December 31, 2017, there were no unconditional promises to give.

(6) Net Assets With Donor Restrictions

Net assets with donor restrictions for the years ended December 31, 2018 and 2017 consisted of the following:

Subject to expenditure for specified purpose:		2018		2017
Traveling Trainer program	$	112,875	$	112,875
Little Rock Master Educator Course				4,500
Citizen Science Program		18,575		31,413
Zero Landfill Initiative		61,660		34,320
National Youth Initiative		37,250		
Hot Spots		14,400		
	$	244,760	$	183,108

(7) **Liquidity And Availability Of Financial Assets**

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor imposed restrictions within one year of the 2018 statement of financial position date.

Financial assets, at year-end		2018
Cash and cash equivalents	$	504,883
Accounts receivable		114,631
Promises to give, net		22,950
Total financial assets		642,464
Less those unavailable for general expenditures within one year, due to:		
Promises to give beyond one year		18,078
Board designated reserve - for future operations		97,850
		115,928
Financial assets available to meet cash needs for general expenditures within one year	$	526,536

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Occasionally, the board designates a portion of any operating surplus to its net assets designated for future operations, which was $97,850 as of December 31, 2018. This reserve may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

(8) **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, 2018 and 2017 was $64,960 and $62,939, respectively. Annual future minimum rental payments under this lease are $25,130, which is due in the year ended December 31, 2019. Subsequent to year-end, the Organization signed a new lease agreement for office space which is for July 1, 2019 through June 30, 2024.

(9) 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, 2018 and 2017:

	2018	2017
Donated goods	$ 81,629	$ 94,390
Donated services		774
	$ 81,629	$ 95,164

(10) Expenses

Total expenses incurred are as follows for the years ended December 31, 2018 and 2017:

	2018	2017
Total expenses reported by function	$ 2,087,658	$ 1,906,175
Cost of goods sold	143,152	124,017
Total expenses	$ 2,230,810	$ 2,030,192

(11) 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 $16,506 and $17,201 to the SIMPLE IRA for the years ended December 31, 2018 and 2017, respectively.

(12) 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.

(13) New Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers* (Topic 606), which deferred the effective date of the new revenue recognition standard for one year. The new standard is effective for the Organization's year ended December 31, 2019. Early application is permitted for the Organization. The Organization is evaluating the effect that ASU No. 2015-14 will have on its financial statement and related disclosures.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies how entities will determine whether to account for a transfer off assets as an exchange transaction or a contribution. The distinction is important because contributions are accounted for under Accounting Standards Codification (ASC) 958-605, *Not-For-Profit Entities* - Revenue Recognition, which exchange transactions are accounted for under other guidance such as ASC 606, *Revenue from Contracts with Customers*. The guidance also clarifies how entities will determine whether a contribution is conditional. The timing of revenue and expense recognition depends upon whether a contribution is conditional or unconditional. The new standard is effective for the Organization's year ended December 31, 2019. Early adoption is permitted. The Organization is evaluating the effect that ASU No. 2018-08 will have on its financial statements and related disclosures.

In December of 2018, FASB issued ASU No. 2018-20, *Leases*. ASU No. 2018-20 which requires the Organization to recognize all leased assets as assets on the statement of financial position with a corresponding liability resulting in a gross up of the statement of financial position. Entities will also be required to present additional disclosure as to the nature and extent of leasing activities. The requirements of this statement are effective for the Organization's year ended December 31, 2020. The Organization has not evaluated the impact due to the timing of implementation of this standard.