

Estes Valley Watershed Coalition

Minutes – September 9, 2015

Board					
Black C:		Jay Blackwood		Pam Huffman	
Big T:	X	Gary Miller	X	Carly Lober	
Fall R:		Phil DuChateau		Marcus Snyder	
Fish C:	X	Sue Durnford	X	Lyle Zimmerman	
At Large:		Jim Daugherty	X	Frank Theis	
Advisory Group:		Jeff Crane	X	Kim Lennberg	
		Chris Sturm	X	Curt Gleaves	
	X	Christy Crosser		Tina Kurtz	
	X	Mary Banken		Chris Bieker	
Staff	X	Molly Mills			

I. CALL TO ORDER

The meeting was called to order at 5:42 pm by President Frank Theis. The meeting was held at the Estes Valley Public Library in Estes Park, Colorado.

II. PUBLIC COMMENT

No public comment was given at the meeting.

III. COALITION STATUS

A. Board Development Committee

1. **MOVED** (Jay Blackwood/Sue Durnford second) and unanimously voted to amend the agenda to move up the Board Development Committee discussion to complete the nomination of new directors at the beginning of the meeting.
2. **MOVED** (Sue Durnford/Carly Lober second) and unanimously voted to nominate Lyle Zimmerman as Fish Creek representative and Pam Huffman as Black Canyon representative for the Watershed Coalition. The EVLT Board will consider this nomination and complete the election process for these two positions at their September 21 Board meeting.
3. There is one additional "At-Large" Board vacancy to be filled. The current Board recognizes a need to keep balance in the at-large positions, and will try to avoid filling all three at-large positions with Fish Creek residents.
4. Now that the staff position is filled, consideration will be given to revising the structure and the composition of Board committees. Molly will develop a suggested approach to be considered at the next Board meeting.

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B. Minutes of the August 19, 2015 Meeting

MOVED (Gary Miller/Sue Durnford second) and unanimously voted accept the minutes from the August 19th meeting.

C. Coordinator Report

1. Thanks to the very hard work of Marcus Snyder with input from Molly, the website is up and looking good at <http://www.evwatershed.org> and should be reviewed by all. Please provide input/feedback as soon as possible.
2. Curt Gleaves, Mary Banken, Sue Durnford and Molly worked to review a proposed budget. Molly expressed her gratitude for being able to rely on others to handle that part of the organization.
3. Training opportunities for Molly in the near future include a 2-day workshop on restoration/revegetation techniques and a 3-day training conducted by DOLA and CWCB for all watershed coordinators at the YMCA.
4. Molly has submitted the list of Tier 2 priorities to NRCS. The Tier 1 DSR's (Damage Survey Reports) will be completed by NRCS staff within the coming weeks. Mary Banken is working on compiling cost data for the NRCS economic analysis which, per Todd Boldt's request should be submitted by Monday September 21.
5. Molly has been attending meetings with Town staff (Public Works) regarding the CDBG-DR Round 3 Infrastructure grant proposals that will be submitted by the Town in October.
6. Molly has been attending weekly Floodplain Management meetings with Town staff (Community Development and others) regarding flood plain issues. A joint plan for community outreach regarding flood issues is being developed.
7. Molly has been working on developing the RFP's for the two planning projects that have been awarded to EVWC: Upper Big Thompson Master Plan and Four High-Priority Projects Planning. Curt Gleaves has reviewed and revised the contracting template provided by DOLA to adapt it for nonprofits rather than local governments.

D. Committee Reports

1. Executive Committee

a. Budget Approval

Sue Durnford reviewed the line items in the budget that has been prepared for the remainder of 2015 and all of 2016, as was distributed in the Agenda Packet. This budget was prepared using conservative assumptions regarding revenues and expenditures. Since the preparation of the budget, clarification was obtained from DOLA that according to CDBG standards, any equipment that costs under \$5,000 should be treated as office supplies. **MOVED** (Gary Miller/Jay Blackwood second) and unanimously voted accept the budget with one modification: to remove budget line # 5400 EQUIPMENT LEASES and merge the dollars into budget line #5350 OTHER OFFICE SUPPLIES/EXPENSES. A copy of the final budget is Attachment A to these minutes

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b. Office Sublease Approval

A proposed Office Sublease agreement between EVWC and EVLT was included in the Agenda Packet. **MOVED** (Jay Blackwood/Gary Miller second) and unanimously voted approve the proposed agreement.

c. Equipment Lease Approval

A proposed Equipment Lease agreement between EVWC and EVLT was included in the Agenda Packet. Due to the information mentioned above regarding equipment that is under \$5,000, this lease is no longer needed.

d. RLR Engagement letter

MOVED (Phil DuChateau/Jay Blackwood second) and unanimously voted to approve the August 31, 2015 engagement letter from RLR for professional financial services. (Attachment B).

e. 501(c)3 application, \$850 filing fee

Curt Gleaves discussed his recommendation regarding federal non-profit status for EVWC. Last March, he sent in an application for Group Exemption status under EVLT's 501(c)3 status, but to-date has not received a response from IRS. At this point, it makes sense for EVWC to apply for their own 501(c)3 status rather than try to trouble-shoot the previous application. Curt has completed almost all of the Form 1023 for the application. The filing fee is \$850, and the Board members were asked to each make a contribution to EVWC toward that fee, encouraging 100% financial participation by the Board. Sue Durnford distributed a pledge form for the Board to use (Attachment C).

E. Agency Updates

As corrected forms were being processed over the Labor Day weekend for the September DOLA financial reports, DOLA suggested the use of their "Signatory Authority and Delegation of Signatory Authority" form (sample in Agenda Packet) in order to use alternative signers when necessary. **MOVED** (Sue Durnford/Jay Blackwood second) and unanimously voted to approve a resolution to authorize Curt Gleaves and Mary Banken with signatory authority when necessary for Payment Requests, Quarterly Financial Status Reports, Quarterly Project Performance Reports, Monitoring Documents, and Certified Payroll.

F. Town Update

a. RFP Progress

Tina Kurtz was absent from the meeting, but Molly reported that Tina is working on the RFP for the Hydrology project.

b. Approve edits on Fish Creek Master Plan.

Tina has cleaned up editorial problems on the Fish Creek Master Plan for Resiliency document. The updated version of that document is on the website. Christy Crosser attended the meeting to request approval of the revised document by the EVWC Board of Directors. **MOVED** (Sue

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Durnford/Jay Blackwood second) and unanimously voted to approve edits and accept the Fish Creek Master Plan for Resiliency as revised and currently on the website.

IV. ADDITIONAL ACTION ITEMS

Logo approval

The agenda packet included several iterations of the logo that is under development. Board preferences include the version with purple mountains, but modify so the fish is going upstream, with black letters that reference Estes Valley rather than Estes Park, and add pine trees.

a. Board Bios

Sue Durnford requested completion of the Board of Directors Profile form (included in Agenda Packet) by each director for use in compiling necessary bio's for grants applications and for the Form 1023.

b. Vision Statement

MOVED (Gary Miller/Sue Durnford second) and unanimously voted to adopt a revision to the vision statement as follows: *The EVWC will engage and enable citizens of the Estes Valley to achieve safe, ecologically healthy and attractive watersheds which are resilient in design, ensuring resiliency from fluctuating water levels and which contribute to the beauty and benefits of the Estes Valley's natural resources.*

c. Bank signatures

Per request of Curt Gleaves, due to changes in the EVLT Board and officers, **MOVED** (Gary Miller/Jay Blackwood second) and unanimously voted to adopt a resolution to change authorized signers on the EVWC checking account, as was included in the Agenda Packet.

V. ACTION ITEMS – NEXT MEETING

A. Review of Committees

VI. ADJOURN MEETING

The meeting adjourned at 8:39 p.m.

Prepared by: Mary Banken

Approved/submitted by: Jim Daugherty, Secretary

Attachment A

Estes Valley Watershed Coalition 2015 and 2016 Budgets Worksheet

	2015 Budget	2016 Budget	Notes
REVENUE			
4100 · CONTRIBUTIONS			
4110 Membership Dues	-	-	
4120 Unrestricted Contributions	5,100	-	CBG & EVLT
4140 Non-Cash Contributions (under Capacity and Implementation)	16,719	9,228	See detail below
4140 Non-Cash Contributions (under Planning grants)	-	-	
4140 Non-Cash Contributions (under Implementation grant)	5,000	-	
4140 Non-Cash Contributions (SB Matching Funds)	-	-	Assumes \$200,000 match required under SB 14-179 grant does not generate in-kind revenue
Total 4100 Contributions	26,819	9,228	
4200 · PROGRAM SERVICE REVENUES	-	-	None expected
4300 · INVESTMENT INCOME	-	-	None expected
4400 · OTHER REVENUE	-	-	None expected
4500 · GRANT REVENUE			
4510 Planning Grants (CDBG-DR HP Project/BT Master Plan)	59,919	239,675	per 4/1/15 award letter; assumes 20% is earned in 2015 (if not, revenue and corresponding expense will shift to appropriate period and offset)
4530 Implementation Grants (CDBG-DR Project 1)	30,000	270,000	per 6/15/15 award letter; assumes 10% is earned in 2015 (if not, revenue and corresponding expense will shift to appropriate period and offset)
4530 Implementation Grants (SB Funds)	-	200,000	Assumes all funds earned in 2016
4590 Capacity Building Grants (CDBG-DR)	28,185	75,047	90% of compensation plus all but accounting prorated on monthly basis for purpose of budget; actual may value as earned
4590 Capacity Building Grants (CWCB)	8,679	35,645	CWCB @ 10% compensation + 5% of other grants earned
Total 4500 Grant Revenue	126,783	820,367	
TOTAL REVENUE	153,602	829,595	
EXPENSES			
5000 · OPERATING EXPENSES (Allocable)			
5100 · PERSONNEL EXPENSES	27,736	68,749	based on Mills contract
5200 · OCCUPANCY EXPENSES			
5210 · Rent	1,500	3,600	based on \$300/month
5230 · Telephone Services (\$1,000 land line in-kind)	828	1,987	\$1,000 landline in-kind + \$110/mth cell phone
5240 · Internet Service	278	667	based on Capacity Grant Budget
Total 5200 · OCCUPANCY EXPENSES	2,606	6,254	
5300 · OFFICE EXPENSES			
5310 · Copier Supplies	278	667	based on Capacity Grant Budget
5350 · Other Office Supplies/Expenses (\$900 furniture in-kind)	3,967	1,000	based on Capacity Grant Budget +1,000 startup
Total 5300 · OFFICE EXPENSES	4,245	1,667	
5500 · INSURANCE (in-kind)	5,996	6,296	2015 based on actual; 2016 assumes 5% increase
5600 · OTHER OPERATING EXPENSES			
5610 · Information Technology (\$1,000 IT support and \$2,500 website design both unfunded but donated in-kind)	2,917	1,000	based on Capacity Grant Budget
5660 · Staff Development (unfunded under grants)	278	667	based on Capacity Grant Budget
Total 5600 · OTHER OPERATING EXPENSES	3,195	1,667	
Total 5000 · OPERATING EXPENSES (Allocable)	43,778	84,633	

Estes Valley Watershed Coalition 2015 and 2016 Budgets Worksheet

	2015 Budget	2016 Budget	Notes
6000 · PROGRAM RELATED EXPENSES			
6100 · PLANNING GRANT CDBG (2015 Award)			
6117 Professional Fees--Consultants (HP Projects)	24,936	99,744	<i>per Planning Grant 1; assumes 20% in 2015</i>
6118 Professional Fees--Consultants (BT Project)	29,240	116,960	<i>consultant vs other not spelled out in Planning Grant 2; assumes 90% consulting; 20% in 2015</i>
6123 Supplies and other expenses (BT Master Plan)	3,249	12,996	
6124 Supplies and other expenses (HP Projects)	2,494	9,975	<i>per Planning Grant 1; assumes 20% in 2015</i>
Total 6100 · PLANNING GRANT CDBG (2015 Award)	59,919	239,675	-
6300 · IMPLEMENTATION GRANT CDBG (2015 Award)			
6311 Legal Fees	5,000	-	<i>IG Item 1.4 (in-kind)</i>
6319 Other Professionals	23,640	55,460	<i>IG Items: 2.1; 2.2; 2.5; 2.6; 3.1; 3.2; 3.4.1; 3.5.1; 3.6.1; 3.7.1; 3.8; 3.9</i>
6323 Supplies/Restoration Materials	-	12,050	<i>IG Items 2.4.2,</i>
6330 Subcontractors	-	181,750	<i>IG Items: 2.4.1; 3.4.2; 3.5.2; 3.6.2; 3.7.2</i>
6380 Licenses/Fees	-	14,000	<i>IG Items: 2.3; 3.3</i>
6390 Other Expenses	6,360	6,740	<i>IG Items: 1.2</i>
Total 6400 · IMPLEMENTATION GRANT CDBG (2015 Award)	35,000	270,000	-
6400 · IMPLEMENTATION GRANT SB 14-179			
6411 Legal Fees	-	-	
6419 Other Professionals	-	-	<i>If \$200,000 match generates in-kind revenue it will also generate an equal off-setting addition to these expenses</i>
6423 Supplies	-	-	
6424 Restoration Materials	-	200,000	
6430 Subcontractors	-	-	<i>Currently assume that all expenditures will be in 2016</i>
6480 Licenses/Fees	-	-	
6490 Other Expenses	-	-	
Total 6400 · IMPLEMENTATION GRANT SB 14-179	-	200,000	-
6800 · COMMUNITY OUTREACH/PROGRAMS			
6810 · Comm Outreach Professional Fees	-	-	<i>None expected???; or move budgeted amounts?;</i>
6821 · Comm Outreach Postage	-	-	<i>None expected???; or move budgeted amounts?;</i>
6822 · Comm Outreach Printing	-	-	<i>None expected???; or move budgeted amounts?;</i>
6823 · Educ Events Supplies/Expenses	-	-	<i>None expected???; or move budgeted amounts?;</i>
6850 · Comm Outreach Travel	556	1,333	<i>based on Capacity Grant Budget</i>
6870 · Comm Outreach Meeting Expenses	278	667	<i>based on Capacity Grant Budget</i>
Total 6800 · COMMUNITY OUTREACH	834	2,000	
Total 6000 · PROGRAM RELATED EXPENSES	95,753	711,675	
7000 · MANAGEMENT & GENERAL EXPENSES			
7212 · Legal Fees	-	-	<i>none expected</i>
7213 · Accounting Fees	-	5,440	<i>per fee agreement with RLR (note delayed 1 yr); \$14,020 will need to be prepaid in January 2017</i>
7218 · Fiscal Sponsorship Fees	20,000	25,000	<i>per Fiscal Sponsorship Agreement</i>
7219 · Other Professional Fees (unfunded but also in-kind)	2,000	-	<i>incorporation</i>
7221 · Administrative Postage	139	333	<i>based on Capacity Grant Budget</i>
7223 · Other Direct Supplies & Expense	-	-	<i>none expected</i>
7224 · Other Administrative Expenses	-	-	
7270 · Board Meeting Expenses	-	-	<i>none expected</i>
7280 · General Licenses, Fees & Taxes (unfunded)	900	10	<i>incorporation and renewal; Form 1023 user fee</i>
7290 · Bank Account Fees	-	-	<i>none expected</i>
Total 7000 · MANAGEMENT & GENERAL EXPENSES	23,039	30,783	
8000 · FUNDRAISING EXPENSES			
8321 · Fundraising Postage	-	-	<i>none expected</i>
8322 · Fundraising Printing	-	-	<i>none expected</i>
8323 · Other Fundraising Supplies/Exp	-	-	<i>none expected</i>
8380 · Charitable Solicitation Act Fee (unfunded)	10	10	<i>based on Capacity Grant Budget</i>
Total 8000 · FUNDRAISING EXPENSES	10	10	
TOTAL EXPENSES	162,580	827,101	
NET INCOME	(8,978)	2,494	

Attachment B

**Estes Valley Watershed Coalition
Audit Proposal
December 31, 2015**



August 31, 2015

Curt Gleaves
Estes Valley Watershed Coalition
1191 Woodstock Drive
Estes Park, CO 80517

Dear Curt,

Thank you for the opportunity to submit a proposal to provide professional financial statement review and audit services for Estes Valley Watershed Coalition (the Coalition) for the years ending December 31, 2015 through 2017.

Tax exempt organizations throughout Colorado face unique challenges from falling revenues, increasing demand on resources and increasing costs. Our work with numerous tax exempt clients can provide the Coalition with insight into issues similar entities face. RLR is confident we can help you effectively manage your professional services costs without comprising quality. At RLR, we are proud of the exceptional level of service and value we are able to provide our clients – as well the quality of the services provided. We believe exceptional service is defined by the establishment of superior working relationships with our clients that promote the highest levels of integrity, honesty and confidentiality.

We understand the Coalition wants to avoid:

- Untimely delivery of audit services.
- Missed audit deadlines.
- Poor or infrequent communication from your CPA and advisory firm.
- Audit services that are not thorough or cost effective.
- Lack of understanding of accounting standards and requirements

A lack of timeliness and poor communication places unnecessary stress on the audit process. Audit services that drag out over an extended period of time can make your work more difficult. Failure to work with a provider that is proactive with ideas means you potentially miss out on opportunities for input and improved operations. It is important to work with a firm that understands tax exempt entities as well as proactive, client driven professional accounting services.

Finding the right CPA and advisory firm - a trusted and reputable advisor - can offer the proactive industry insight you seek as well as year-round suggestions and solutions. You need a firm with a strong understanding and proficiency in tax exempt entity audit standards, accounting standards and taxation. You want a team of knowledgeable advisors who can help the Coalition:

- Receive timely delivery of audit drafts and final reports.
- Experience peace of mind and open communication about areas of concern, including management letter comments and comments regarding internal control.
- Receive suggestions to help improve the financial reporting process and operations in general.
- Benefit from cost-effective and thorough audits completed by a professional team of advisors.
- Be prepared for changes in accounting standards and generally accepted accounting principles before they happen.

As we focus on your needs and address your unique challenges, RLR can help the Coalition by providing regular communication and timely audit services. We are ready to assist the Coalition through the audit process by providing access to a variety of information and communication tools. Effective management of the audit process is crucial to providing outstanding client service and exceeding client expectations.

We communicate new accounting and tax guidelines formally to our clients through our annual non-profit update letter. In addition, we include any recommendations and changes in audit and tax standards in our management/internal control letter that will accompany your annual audit. Any updates to standards which come to our attention throughout the year that we determine might be applicable to the Coalition, would be informally communicated to the Coalition.

RLR's client service driven approach to delivering high quality audit services will assure you of timely delivery of your audit in accordance with professional audit standards. We believe our proposal will help you select our firm for efficient, comprehensive and objective professional audits services delivered by experienced professionals.

WHO WE ARE

We are a regional niche CPA firm specializing in small business and tax exempt industries providing professional audit, accounting and tax services to clients throughout Northern Colorado and Southeastern Wyoming. We bring the expertise and experience of a large national firm, yet provide the close personal relationship you expect from a small local firm. We believe in the value of relationships – it is our business. We view every client relationship like a partnership, and truly believe that our success is a result of your success. We take pride in giving you the assurance that the personal assistance you receive comes from years of advanced training, technical experience and financial acumen. Our continual investment of time and resources in professional continuing education, state-of-the-art computer technology and extensive business relationships is indicative of our commitment to excellence.

HOW CAN YOU BE SURE OF THE QUALITY OF SERVICE WE PROVIDE?

We believe that our existing clients will be able to provide you with the greatest assurance regarding the quality of our service and we invite you to contact any of our clients listed below. We present this particular list of clients because we believe their needs and the services we provide to them closely mirror your needs and the services we propose to you. Should you desire additional client references, please feel free to contact us.

Diane Hathaway
Vice President, Support, and CFO
United Way of Larimer County
(970) 407-7009

Nancy Jackson
Executive Director
Disabled Resource Services, Inc.
(307) 482-2700

Lynn Oesterle-Zollner
Executive Director
CASA of Larimer County
(970) 498-6180

Gayle Cruickshank
Finance Director
Crossroads Safehouse
(970) 530-2353

QUALIFICATIONS

All of our professional staff and partners are required to attend at least 40 hours of continuing professional education classes annually. Through our work with other non-profit organizations and foundations, our professional staff are familiar with applicability of professional standards which relate to tax exempt organizations. In addition, the professionals assigned to your engagement are “yellow-book” qualified and have specific training in tax exempt organizations and auditing Federal funds under *OMB Circular A-133 - Audits of States, Local Governments, and Non-Profit Organizations*.

Our firm received a “pass” rating on the peer review requirements of the American Institute of Certified Public Accountants (attached), which is the highest rating issued for peer review requirements.

Our firm does not have a record of substandard audit work, has not been involved in litigation regarding our work product and we have not been dismissed from an attestation engagement for substandard work.

WHO WILL SERVE YOU?

Joey Hoefler, CPA is the senior audit manager for the firm and will take the lead role in overseeing the day to day audit services that will be provided by our staff to the Coalition. Joey has 12 years of audit experience and attends more than 40 hours of continuing professional education in audit and accounting topics. Joey is “yellow book” qualified and has extensive experience with tax exempt organizations and federal compliance auditing under OMB Circular A-

133. Joey is a graduate of University of Wyoming and a member of the American Institute of Certified Public Accountants.

Robert Dickerson, CPA, is responsible for our firm's audit practice and has more than 20 years of experience providing accounting, audit and advisory services to clients in a variety of industries including construction, insurance, financial institutions, not-for-profit/tax exempt organizations and a variety of governmental organizations. As our audit partner, Rob performs the primary or concurring review of all of our attestation clients. Rob is "yellow book" qualified and attends more than 40 hours of continuing professional education in audit and accounting topics annually. Rob is a graduate of the University of Wyoming and a member of the American Institute of Certified Public Accountants.

Scott Rulon, CPA is the managing partner of the firm and will serve as quality control reviewer. Scott is also "yellow book" qualified and attends more than 40 hours of continuing professional education in audit and accounting topics. Through his 29 years of experience, Scott has gained a great understanding and an appreciation for his clients' goals, and is dedicated to helping them succeed. Scott is also a graduate of University of Wyoming, a member of the American Institute of Certified Public Accountants and the Northern Colorado Estate Planners Council.

Staffing Continuity - While turnover in CPA firms is natural, you should expect your audit team to remain relatively constant throughout the years. In an appropriate staffing progression, the audit team changes as the individuals' experience and responsibility progress and new staff are introduced in entry-level positions. Through formal staff coaching/mentorship, timely job performance evaluations, direct supervision, client feedback, work-life balance emphasis and our personal service philosophy, we have been able to hold our staff turnover rate to a level below that of other national and local firms. At the same time, we carefully monitor our client relationships to ensure we are maintaining our independence and professional skepticism with all of our audit engagements.

Rob Dickerson will be the partner assigned to your engagement and has overall responsibility for our audit practice. All of our audit staff and partners responsible for audit engagements attend more than 40 hours of continuing professional education in audit and accounting topics annually. Our firm and professionals are licensed to practice accounting in Colorado.

With our proactive client service focused approach, our staff handles their own scheduling and share ideas on best practices, which means they are active participants in shaping their work environment.

OUR AUDIT APPROACH

Our business is providing value - value is about more than just price. Value from a professional CPA and advisory firm is about the quality of the work and the merit of the advice. Expect RLR's work to be accurate and insightful. We stand behind it. Our most recent peer review demonstrates the firm's record of excellence.

RLR places a great deal of emphasis on becoming familiar with new clients' financial decision makers quickly, efficiently and with minimal disruption to day-to-day operations. If engaged, we will work with you to develop a detailed transition plan and discuss with you the areas you feel may warrant a fresh look. Your reporting timeline requires careful planning and coordination. We will work with management and staff to properly plan and coordinate the audit to meet the deadlines as outlined in your request for proposal.

During the first year of our engagement with you, we anticipate the following as you transition to RLR:

- Meet with key management soon after being engaged to gather further initial information to plan our work.
- Become acquainted with your personnel so they are comfortable with us and understand our procedures.
- Meet with personnel to enhance our understanding of your unique accounting and auditing issues, grant compliance, and to answer questions and to accelerate our understanding of your operations.
- Schedule an early planning session with appropriate personnel to obtain their input in developing an efficient and tailored audit approach to the Coalition's financial statements.
- Develop appropriate timetables for performing our services, reviewing and approving our deliverables, meeting with the board and/or audit or finance committee, as necessary.

Our audit will be conducted in accordance with United States generally accepted auditing standards as established by the Auditing Standards Board, the objective of which is to express an opinion about whether the financial statements of the Coalition are fairly presented, in all material respects, in conformity with United States generally accepted accounting principles. If our opinion is other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit, or are unable to form an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

The accuracy and completeness of the Coalition's financial statements is the responsibility of management of the Coalition. If, upon commencement of our audit fieldwork, we find evidence that the Coalition's financial statements are not complete, we will notify you immediately. Our fees quoted do not include any extensive bookkeeping time that may be necessary to adjust your accounting records.

PROFESSIONAL AUDIT STANDARD AU-C SECTION 265, COMMUNICATING INTERNAL CONTROL RELATED MATTERS IDENTIFIED IN AN AUDIT

In October 2008, the Auditing Standards Board (ASB) issued SAS 115, Communicating Internal Control Related Matters Identified in an Audit. The standard was subsequently redrafted by the ASB in the Codification of Auditing Standards as standard AU-C 265. The standard conforms the terminology and definitions of the various kinds of control deficiencies in internal accounting controls. The revised standard defines deficiencies in internal control as follows:

- **Material Weakness** —A deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.
- **Significant Deficiency** —A deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

AU-C 265 provides guidance to enhance the auditor's ability to evaluate deficiencies in internal control identified during an audit, and then communicate those deficiencies that the auditor believes are significant deficiencies or material weaknesses to management and those charged with governance. AU-C 265 is more aligned with the Public Company Accounting Oversight Board Standard (PCAOB) No. 5 standard of internal control. While the Coalition is not subject to the PCAOB audit standards, the standards as outlined in AU-C 265 are more closely aligned with the standards required in the public company markets and require the auditor to assess the operating and design effectiveness of internal controls at a much higher level than in years past. It is not uncommon for our audit to result in reporting significant deficiencies and material weaknesses in internal control due to the limited size of your organization and limited resources.

FORM 990 INFORMATION RETURN

On December 20, 2007, the IRS released the redesigned Form 990, *Return of Organization Exempt from Income Tax* (2008 Form 990). The Coalition will begin using the new form for the 2014 tax year for its initial Form 990 filing. We anticipate additional changes and clarifications from the IRS as data is collected from the initial filing of these new forms. As the IRS collects additional data, we anticipate increased scrutiny of all tax exempt entity filings. For example, it has been estimated that the IRS will conduct payroll tax audits for approximately 500 tax exempt organizations across the country in the coming year. Agents will examine for misclassification of employees as contractors, as well as executive pay, fringe benefits and expense reimbursements. These audits are part of the 2,000 payroll tax audits that the IRS will conduct this year to select targets for future payroll tax audits and to refine estimates of the tax gap.

The Form 990 contains numerous questions pertaining to your Organization's governance and administrative policies. Some of these questions include:

- *How is your form 990 reviewed? Does a copy go to the governing board before filing?*
- *Are officers, directors, trustees and key employees required to disclose potential conflicts each year? Are compliance policies monitored and enforced?*
- *Do you have written records retention and destruction policies?*
- *Do you have written board minutes and minutes of decision-making committees?*
- *Do you have a whistle-blower protection policy?*

The form requires a description of your exempt purpose achievements for each of your three largest program services. Section 501(c) (3) & (4) organizations must report the amount of grants made, and total expenses and revenue for each program service reported. The Statement of Functional Expenses contains new categories of expenses reported separately: management fees,

fees for lobbying services, investment management fees, advertising and promotion, information technology, royalties, and insurance.

The Coalition receives non-cash contributions. Reporting of non-cash contributions requires the amount of revenues recognized and the method of determining such revenue be shown for *each* of 24 specific types of property gifts received. A few of these 24 types include: books and publications, publicly traded securities, intellectual property, collectibles, advertising, sponsorships food inventory, taxidermy, and historical artifacts. In addition, the number of contributions in each category will have to be shown.

The IRS has expressed concerns over exempt organizations fundraising and gaming activities, thus the new Form 990 includes additional reporting requirements from fundraising activities. Organizations that either (1) have \$10,000 or more in gross revenue from fundraising events (including gaming activities, but not charitable contributions received as part of event revenue) or (2) pay \$10,000 or more in fees to a professional fundraiser will have to file Schedule G, a three-page form, which asks numerous questions and requests substantial data about the fundraising and gaming activities.

The IRS is also focusing on non-profit organization governance. The IRS is examining and gathering data from non-profit organizations about the governance practices and the related internal controls of the non-profit organizations like your organization. According to the IRS, this information “will be included in a long-term study to gain a better understanding of the interaction between governance practices and tax compliance.”

In summary, the Form 990, *Return of Organization Exempt from Income Tax* includes a number of requirements the Coalition will be required to comply with for the fiscal year ending December 31, 2014. We can provide you with more detailed information on the changes and can provide assistance in complying with the new requirements.

COMMITMENT TO THE NOT-FOR-PROFIT COMMUNITY

At RLR, we view volunteerism as one of our primary objectives and believe in the value of giving back to our communities. RLR has had an established volunteer program within our firm for several years. The objective of the RLR volunteer program is to promote volunteering within our firm, assist local non-for-profit organizations in achieving their missions, strive to become community builders in helping maintain a high quality of life in the communities we serve, and promoting teamwork among employees and helping employees in obtaining personal fulfillment through volunteering.

RLR has served as a project leader for a Make-A-Difference Day project for the previous five years. In 2014, our firm’s employees reported over 900 hours of volunteer time in assisting 25 non-profit organizations in Fort Collins, Loveland, Greeley and Cheyenne, Wyoming. We expect similar achievements to be reported from our 2015 volunteer program coordinator.

COMMITMENT TO DIVERSITY

RLR is an equal opportunity employer. In addition, as members of the American Institute of Certified Public Accountants (AICPA), RLR has always been keenly focused on diversity and inclusion in the profession and works with the AICPA on programs that have increased the pipeline of students educated about the profession and on the path to CPA, and strongly believe this very important work will continue.

RLR, along with the AICPA, is committed to promoting awareness and integration of the accounting profession to ethnically diverse populations. Changing demographics of the communities in which CPAs serve has renewed the concentration on the advancement and retention of talented underrepresented minorities within the profession.

PROPOSED FEES

Our proposed fees for the engagement are as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Financial Statement Review Fee	\$ 3,600	N/A	N/A
Additional Procedures to Prepare for 2016 Audit	\$ 800	N/A	N/A
Financial Statement Audit Fee	N/A	\$ 8,600	\$ 8,900
OMB A-133 Single Audit	N/A	\$ 4,350	\$ 4,500
Federal Form 990 Income Tax Return	\$ 1,040	\$ 1,070	\$ 1,100

The 2015 fee for the financial statement review, and 2016 and 2017 fees for the financial statement audits, anticipates that we will be engaged for a three year term. The fee for additional procedures for the 2015 review is for the performance of procedures in anticipation of performing an audit in 2016, and to obtain an understanding of the Coalition's internal control system and to make recommendations to strengthen the internal control system as applicable. We will not issue an accountants' report or express an opinion on the results of the additional procedures as they relate to the December 31, 2015 financial statement review. The fee estimate for A-133 will not be applied for any fiscal year in which an A-133 Single Audit is not required for the Coalition. In addition, the A-133 fee estimate assumes that only one Major Federal Program will be required to be audited in the A-133 audit. If additional Major Programs are required to be audited, we estimate an additional \$1,200 per program for the A-133 fee estimate. If significant changes to generally accepted accounting principles or changes to the reporting entity to be audited occur, we will discuss with you modification to our fee proposal outlined above. Should the Coalition require the preparation of Federal Form 990-T, or other additional forms, we will submit to you a revised estimate for your review and acceptance before preparation of additional forms commences. No

additional costs for travel or other out of pocket expenses will be charged to you. Agreed upon fees as outlined above will be billed at the completion of the engagement.

For this fee, we guarantee the timely completion and delivery of audited financial reports and letters. You will receive the utmost in a quality audit team who are specially trained to add value to the audit process by making observations and recommendations that will improve the operations and use of resources for the Coalition.

SCHEDULING AND DELIVERY OF REPORTS

We propose to begin fieldwork for the financial statement review in February 2016, and to deliver the reviewed financial statement report and submit the Form 990 by May 15, 2016. Dates are contingent upon the cooperation of your staff and completion of various schedules and availability of required documents that will be outlined in our list of documents and schedules to be prepared by the Coalition.

CONCLUSION

We believe we have demonstrated the strengths necessary and are confident you will find RLR, LLP well qualified to provide professional audit services to Estes Valley Watershed Coalition. Beyond providing these services, we believe you will find RLR, LLP is the trusted advisor you can depend on to provide value to your organization.

The terms of this proposal are good through November 30, 2015. If you have any questions or concerns regarding this proposal, please call.

Sincerely,

RLR, LLP



Joseph Hoefler, CPA

ACCEPTED:

Signature: _____ Date: _____

Title: _____

Peer Review Report

System Review Report

September 26, 2012

To the Members of
RLR, LLP
and the Peer Review Committee of the Colorado Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of RLR, LLP (the firm) in effect for the year ended May 31, 2012. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagement performed under Government Auditing Standards.

In our opinion, the system of quality control for the accounting and auditing practice of RLR, LLP in effect for the year ended May 31, 2012, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. RLR, LLP has received a peer review rating of *pass*.

Schulz & Company, P.C.

Attachment C



Estes Valley Watershed Coalition

Board of Directors Contribution Form

I, (please print) _____ will make a contribution to the Estes Valley Watershed Coalition in the amount of \$ _____.

In order to ensure that your contribution is tax-deductible, please make the check payable to the Estes Valley Land Trust, for the benefit of Estes Valley Watershed Coalition. That last part should be on the memo line, please.

Date: _____

Signed: _____