THE KEYSTONE CENTER AND KEYSTONE CENTER FOUNDATION DBA KEYSTONE POLICY CENTER

Consolidated Financial Statements as of
December 31, 2014

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 Trustees of
The Keystone Center:

We have audited the accompanying consolidated financial statements of The Keystone Center and Keystone Center Foundation, dba Keystone Policy Center, (collectively called the "Center"), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated 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 consolidated financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Keystone Center and Keystone Center Foundation as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

JDS Professional Group

June 1, 2015

		2014
Assets		
Current assets:		
Cash and cash equivalents	$	91,473
Contracts and grants receivable, net		183,463
Promises to give, net		50,000
Prepaid expenses and other current assets		18,353
Total current assets		343,289
Property and equipment, net		1,372,960
Other assets		18,299
Total assets	$	1,734,548
Liabilties and Net Assets		
Current liabilties:		
Accounts payable and accrued expenses	$	203,603
Deferred revenue		100,893
Other current liabilities		8,516
Deferred compensation liability		22,500
Total current liabilities		335,512
Long-term liabilities		1,927
Total liabilties		337,439
Net assets:		
Unrestricted		1,220,938
Temporarily restricted		176,171
Total net assets		1,397,109
Total liabilties and net assets	$	1,734,548

	Unrestricted	Temporarily Restricted	Total
Revenue, Support, and Gains			
Program revenue	$ 2,050,820	$ -	$ 2,050,820
Contributions	316,700	843,254	1,159,954
Gross special event revenue	468,599	-	468,599
Less cost of direct benefits to donors	(71,279)	-	(71,279)
Net special event revenue	397,320	-	397,320
Miscellaneous income	68,634	-	68,634
Net assets released from restrictions	822,275	(822,275)	-
Total revenue, support, and gains	3,655,749	20,979	3,676,728
Expenses			
Program services	2,247,823	-	2,247,823
Administrative	583,500	-	583,500
Fundraising	650,927	-	650,927
Total expenses	3,482,250	-	3,482,250
Change in Net Assets	173,499	20,979	194,478
Net Assets, Beginning of Year	1,047,439	155,192	1,202,631
Net Assets, End of Year	$ 1,220,938	$ 176,171	$ 1,397,109

		2014
Cash flows from operating activities:		
Change in net assets	$	194,478
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation		94,336
Changes in operating assets and liabilities		
Contracts and grants receivable, net		(26,097)
Promises to give, net		(27,000)
Prepaid expenses and other assets		(3,746)
Accounts payable and accrued expenses		66,274
Deferred revenue		100,893
Other liabilities		(11,987)
Return contribution to donor liability		(50,000)
Funds held in trust		(262,032)
Deferred compensation liability		(62,500)
Net cash provided by operating activities		12,619
Cash flows from investing activities:		
Purchases of property and equipment		(13,628)
Net cash used in investing activities		(13,628)
Net Change in Cash and Cash Equivalents		(1,009)
Cash and Cash Equivalents, Beginning of Year		92,482
Cash and Cash Equivalents, End of Year	$	91,473

Note 1 - Principal Activity and Significant Accounting Policies

Organization

The Keystone Center and the Keystone Center Foundation, dba Keystone Policy Center, (collectively, the Center, our, we, us) is an independent, not-for-profit organization that brings together public, private, and civic sector leaders and provides valuable conflict resolution services using uniquely effective decision-making methods. For nearly 40 years, the Center has worked to convene exceptional cross-sector groups of decision makers on large-scale policy issues such as climate change, sustainable agriculture, and national vaccine policy. The Center has a unique ability to help these leaders move away from singular positions of advocacy and toward collaborative approaches to problem-solving. The results are thoughtful, action-oriented, sustainable solutions to complex energy, environmental and public health issues. In this age of polarized debate on nearly every major topic in public policy, the Center offers a refreshing yet proven blueprint for progress.

In nearly four decades of designing effective conflict management strategies for complex, contentious issues, the Center has built a portfolio of substantive work in energy, environment, education, health, and agriculture. The Center accomplishes its work with three complementary approaches which reflect the diverse strategies utilized in leadership and successful issue resolution.

Dialogue approach
The Center dialogue approach is a carefully crafted process that brings together key public, private, and civic sector thought leaders and decision-makers who can forge alliances, make decisions, and influence the trajectory of challenging issues. The Center dialogues are intended to advance practical solutions to meet negotiated goals.

Public engagement and outreach
The Center designs and executes public meetings on every scale - from small focus groups to state and regional outreach - to gather input, share information, or educate on policy decisions. The Center provides process design, facilitation, electronic polling, synthesis, and dissemination of results.

Leadership and capacity building
The Center also works with a variety of institutions within government and industry to design executive-level professional development opportunities aimed at teaching collaborative decision-making approaches, leadership skills, and effective outreach to non-governmental and advocacy communities.

Principles of Consolidation

The consolidated financial statements include the accounts of The Keystone Center and the Keystone Center Foundation as The Keystone Center has both control and an economic interest in the Keystone Center Foundation. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments held for long-term purposes, regardless of original length to maturity, are excluded from this definition.

Contracts and Grants Receivable and Credit Policies

Contracts and grants receivable consist primarily of noninterest-bearing amounts due from cost-reimbursable contracts and grants. We determine the allowance for uncollectible contracts and grants receivable based on historical experience, an assessment of economic conditions, and review of subsequent collections. Contracts and grants receivable are written off when deemed uncollectable. Our allowance was $1,972 at December 31, 2014.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. All promises to give at December 31, 2014 were receivable in one year or less, therefore we did not record a discount. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. We expect to collect all promises to give outstanding on December 31, 2014, and therefore have not established an allowance.

Property and Equipment

Property and equipment additions are recorded at cost, or if donated, at fair value on the date of donation. We compute depreciation using the straight-line method over the estimated useful lives of the assets:

Asset class	Useful life
Computer & telecom equipment	36 months
Furniture & equipment	60 months
Building & leasehold improvements	Useful life or the life of the lease, whichever is shorter

Depreciation expense was $94,336 as of December 31, 2014. Maintenance and repair costs are expensed as incurred. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts and any remaining gain or loss is included in the statement of activities.

Long-Lived Assets

We review the carrying value of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, we recognize an impairment loss to the extent carrying value exceeds the fair value of the asset. There were no indictors of asset impairment during the year ended December 31, 2014.

Net Assets

We classify net assets, revenues, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Center and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by our Board of Trustees.

We report contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Center. The Center currently has no permanently restricted net assets.

Revenue and Revenue Recognition

We recognize revenue when earned. Program revenue under cost-reimbursable contracts and grants received in advance is deferred to the applicable period in which the related services are performed or expenditures are incurred. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and Materials

Contributed goods are recorded at fair value at the date of donation. We record donated professional services at the respective fair values of the services received. There were no significant receipts of donated materials or professional services in the year ended December 31, 2014.

Functional Allocation of Expenses

We allocate the costs of conducting our programs and supporting services activities among the programs and supporting services benefited. The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. See Note 8 for total expenses by function.

Income Taxes

The Keystone Center and the Keystone Center Foundation are organized as Colorado nonprofit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualify for the charitable contribution deduction under Sections 170(b)(1)(A)(vi) and (viii), and have been determined not to be private foundations under Sections 509(a)(1) and (3), respectively. Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Each entity has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

We believe that each entity has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The entities would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

The Center is no longer subject to U.S. federal tax audits on its Form 990 by taxing authorities for fiscal years ending prior to December 31, 2011. 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, we believe no issues would arise.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash and money market accounts with financial institutions we believe to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. We consider credit risk associated with contracts and grants receivable and unconditional promises to give to be limited due to high historical collection rates and because a substantial portion of the outstanding amounts are due from governmental agencies and foundations supportive of our mission. We make investments with the assistance of the Board of Trustees and an investment advisor. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Trustees believe that the investment policies and guidelines are prudent for the long-term welfare of the Center.

Subsequent events

We have evaluated subsequent events through June 1, 2015, which was the date the financial statements were available to be issued.

Note 2 - Prepaid Expenses and Other Assets

Prepaid expenses and other assets consists of the following at December 31, 2014:

		2014
Prepaid airline tickets	$	1,936
Prepaid insurance		6,646
Other prepaid expenses		5,371
Loan fees		5,866
Trademarks		922
Security deposits		15,911
		36,652
Less long-term		(18,299)
Prepaid expenses and other current assets	$	18,353

Note 3 - Property and Equipment

Property and equipment consists of the following at December 31, 2014:

		2014
Land	$	253,363
Buildings and improvements		1,283,772
Office equipment		317,115
		1,854,250
Less accumulated depreciation		(481,290)
Carrying value	$	1,372,960

Note 4 - Accounts Payable and Accrued Expenses

Accounts payable and accrued liabilities consists of the following as of December 31, 2014:

		2014
Accounts payable	$	84,843
Accrued vacation		56,100
Accrued bonus		57,396
Security deposits		3,550
Other accrued expenses		1,714
Accounts payable and accrued expenses	$	203,603

Note 5 - Revolving Line of Credit

On November 12, 2013, the Center entered into a loan security agreement with Alpine Bank providing the Center with a $880,000 variable-rate revolving line of credit ($80,000 reserved for credit card use), secured by a second deed of trust on our real property. Borrowings under the agreement bear interest at the greater of the Chase Manhattan floating prime rate plus 0.65%. On October 22, 2014, the line of credit was extended to April 2016.

Note 6 - Leases

The Center leases office space in Denver, Colorado and Washington D.C. under various operating leases expiring at various dates through 2017. The Center also leases copier equipment under various operating leases expiring at various dates through 2019. Future minimum lease payments are as follows:

		Total
Fiscal year:		
2015	$	149,864
2016		62,988
2017		28,044
2018		20,988
2019		15,741
Total minimum lease payments	$	277,625

Rent expense for the year ended December 31, 2014 was $204,114.

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets consists of the following as of December 31, 2014:

		2014
Agriculture, food & nurition	$	95,460
Education		66,989
Health		13,722
Temporarily restricted net assets	$	176,171

Net assets released from restrictions consists of the following as of December 31, 2014:

		2014
Agriculture, food & nurition	$	4,539
Education		148,011
Energy		255,522
Events		74,870
Health		31,249
Natural resources		220,000
Special projects		63,084
Time restrictions		25,000
Net assets released from restrictions	$	822,275

Note 8 - Functionalized expenses

Total expenses by function consists of the following as of December 31, 2014:

		2014
Program services	$	2,247,823
Administrative		583,500
Fundraising (including cost of direct benefits to donors of $71,279)		722,206
Total expenses	$	3,553,529

Note 9 - Employee Benefits

We maintain a voluntary salary deferral and discretionary profit-sharing plan (Plan) qualified under Section 401(k) of the Internal Revenue Code (IRC). The Plan covers substantially all full-time employees. Plan participants may contribute a portion of their compensation by electing pre-tax salary reductions up to annual limits specified by the IRS. Participant contributions vest immediately. Contributions to the plan by the Center are discretionary, and vest evenly over three years. Starting in 2011, we contributed 3% of each eligible employee's compensation to the Plan. During 2014, our contributions to the Plan approximated $33,731.

We also maintain a non-eligible supplemental retirement plan (Non-eligible Plan) qualified under Section 457(f) of the IRC which covers our founder and former president. Under the terms of the Non-eligible Plan, we are required to make annual distributions of $22,500 to the founder for life. At December 31, 2014, the present value of the future payments to be made under the Non-eligible Plan totaled $22,500.

Note 10 - Government Contracts and Grants

In accordance with the terms of our federal grant agreements, we are permitted to allocate and receive reimbursement for certain indirect costs on a percentage-of-direct-costs basis. Indirect cost rates are approved by a federal oversight agent; however, reimbursement is limited to the lower of computed allowable indirect costs or actual indirect costs incurred. Our claims for reimbursement are subject to audit by federal grantors and possible retroactive adjustment or disallowance. To date, there have been no instances of adjusted or disallowed claims, and we believe that the possibilities of any such instances occurring in the future are low.