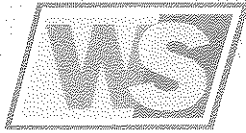


JAMES RIVER ASSOCIATION

Financial Statements

For the Year Ended June 30, 2008



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
James River Association
Richmond, Virginia

We have audited the accompanying statement of assets, liabilities, and net assets-modified cash basis of James River Association (a not-for-profit organization) as of June 30, 2008, and the related statement of support, revenue, expenses and other changes in net assets-modified cash basis for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of James River Association as of June 30, 2008, and its support, revenue, expenses and other changes in net assets for the year then ended, on the basis of accounting described in note 1.

William D. Satchell, CPA, PC

November 19, 2008

JAMES RIVER ASSOCIATION
Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis
As of June 30, 2008

Assets

Current assets:	
Cash and cash equivalents	\$ 566,725
Prepaid expenses	<u>12,638</u>
Total current assets	<u>579,363</u>
Property and equipment:	
Office equipment	21,285
Furniture	10,437
Vehicles	82,914
Software	<u>8,112</u>
	122,748
Less accumulated depreciation	<u>(102,724)</u>
Net property and equipment	<u>20,024</u>
Other assets:	
Land (note 2)	81,700
Deposit	1,875
Investments restricted for endowment (note 3)	<u>783,452</u>
Total other assets	<u>867,027</u>
	<u>\$ 1,466,414</u>

Liabilities and Net Assets

Current liabilities:	
Credit cards payable	\$ 3,628
Payroll tax withholdings payable	7,566
Sales tax payable	<u>33</u>
Total current liabilities	<u>11,227</u>
Net assets:	
Unrestricted	431,485
Temporarily restricted (note 4)	240,250
Permanently restricted for endowment (note 5)	<u>783,452</u>
Total net assets	<u>1,455,187</u>
	<u>\$ 1,466,414</u>

See accompanying notes to financial statements.

JAMES RIVER ASSOCIATION
Statement of Support, Revenue, Expenses and
Other Changes in Net Assets - Modified Cash Basis
For the Year Ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Support and Revenue</u>				
Contributions and membership dues (note 6)	\$ 313,545	80,000	25,000	418,545
Grants	45,000	536,367	-	581,367
Special events (note 7)	128,650	-	-	128,650
Program service fees	-	7,065	-	7,065
Sales	924	-	-	924
Cost of goods sold	(111)	-	-	(111)
Interest and dividend income	46,015	-	-	46,015
Unrealized losses on investments	-	-	(70,653)	(70,653)
Realized gains on investments	-	-	1,544	1,544
Net assets released from restriction	441,527	(441,527)	-	-
	<hr/>			
Total support and revenue	975,550	181,905	(44,109)	1,113,346

Expenses

Program expenses:

Board meetings	1,239			1,239
Business insurance	7,815			7,815
Depreciation	8,278			8,278
Dues and subscriptions	1,539			1,539
Employee benefits	22,217			22,217
Employee education and training	755			755
Employee payroll taxes	18,673			18,673
Employee salaries and wages	243,141			243,141
Information systems support	13,152			13,152
Inventory obsolescence expense	1,141			1,141
Meetings	12,882			12,882
Office	12,705			12,705
Other direct program expenses	115,691			115,691
Other taxes and licenses	879			879
Printing and advertising	35,358			35,358
Professional	92,144			92,144
Publications	2,246			2,246
Rent (note 8)	18,787			18,787
Telephone	4,454			4,454
Travel	16,396			16,396
	<hr/>			
Total program expenses	629,492	-	-	629,492

Management and general expenses:

Bank charges	3			3
Board meetings	5,922			5,922
Business insurance	1,954			1,954
Depreciation	835			835
Employee benefits	5,554			5,554
Employee education and training	341			341

(Continued)

JAMES RIVER ASSOCIATION
Statement of Support, Revenue, Expenses and
Other Changes in Net Assets - Modified Cash Basis, Continued
For the Year Ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Management and general expenses (continued):				
Employee payroll taxes	4,668			4,668
Employee salaries and wages	60,786			60,786
Information systems support	3,218			3,218
Office	2,314			2,314
Other taxes and licenses	206			206
Penalties	845			845
Printing and advertising	7,042			7,042
Professional	5,751			5,751
Rent (note 8)	4,462			4,462
Telephone	1,031			1,031
Travel	831			831
Total management and general expenses	105,763	-	-	105,763
Fund raising expenses:				
Board meetings	1,240			1,240
Business insurance	1,085			1,085
Depreciation	464			464
Dues and subscriptions	513			513
Employee benefits	3,086			3,086
Employee payroll taxes	2,593			2,593
Employee salaries and wages	33,770			33,770
Information systems support	1,788			1,788
Inventory obsolescence expense	1,142			1,142
Meetings	6,748			6,748
Membership	498			498
Office	3,717			3,717
Other fund raising expenses	18,628			18,628
Printing and advertising	10,562			10,562
Professional	34,506			34,506
Publications	2,247			2,247
Rent (note 8)	2,479			2,479
Telephone	573			573
Travel	554			554
Total fund raising expenses	126,193	-	-	126,193
Total expenses	861,448	-	-	861,448
Change in net assets	114,102	181,905	(44,109)	251,898
Net assets, beginning of year	317,383	58,345	827,561	1,203,289
Net assets, end of year	\$ 431,485	240,250	783,452	1,455,187

See accompanying notes to financial statements.

JAMES RIVER ASSOCIATION
Notes to Financial Statements
Year Ended June 30, 2008

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

James River Association (the "Organization") is a Virginia not-for-profit corporation formed in 1976. The mission of the James River Association is to be guardian of the James River. The Organization provides a voice for the river and takes action to promote conservation and responsible stewardship of the river's natural resources. The Organization achieves these goals through four core programs: the James Riverkeeper, Watershed Restoration, Education and Outreach, and Advocacy programs.

(b) Basis of Accounting

The financial statements of the Organization have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, support and revenue are recognized in the period received and expenses are generally recognized in the period paid. The primary modifications to the cash basis are the capitalization and depreciation of property and equipment, the reporting of investments at fair value, and the reporting of in-kind contributions.

(c) Financial Statement Presentation

The financial statement presentation conforms to the requirements of Statement of Financial Accounting Standards No. 117 ("SFAS 117"), "Financial Statements of Not-for-Profit Organizations." Under SFAS 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. These classifications are based on the existence or absence of donor-imposed restrictions.

The Organization reports gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

The Organization reports gifts as 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 support, revenue, expenses and other changes in net assets-modified cash basis as net assets released from restriction.

Net assets, the use of which by the Organization is limited by donor imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization, are reported as permanently restricted net assets.

As required by SFAS 117, the Organization reports its expenses by their functional classification. Certain expenses have been allocated among the programs and supporting services benefited.

Program services are the activities that result in goods and services being provided to beneficiaries and customers that fulfill the mission for which the Organization exists.

JAMES RIVER ASSOCIATION
Notes to Financial Statements
Year Ended June 30, 2008

(1) Summary of Significant Accounting Policies (continued)

(c) Financial Statement Presentation (continued)

Management and general services include oversight, business management, general recordkeeping, budgeting, financing, and all management and administration except for direct conduct of program services or fund raising activities.

Fund raising activities include publicizing and conducting fund raising campaigns, maintaining donor mailing lists, conducting special fund raising events, and other activities involved with soliciting contributions.

(d) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(e) Cash and Cash Equivalents

The Organization considers all cash on hand, cash on deposit with banks in checking, savings and money market accounts, and funds invested in money market mutual funds to be cash and cash equivalents.

(f) Property and Equipment

Property and equipment acquired by purchase are recorded at cost. Depreciation is provided using straight-line and accelerated methods over the estimated useful lives of assets of three to seven years.

(g) Investments Restricted for Endowment

Investments restricted for endowment are reported in conformity with Statement of Financial Accounting Standards No. 124 ("SFAS 124"), "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS 124, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the statement of assets, liabilities and net assets. Realized and unrealized gains and losses on investments are reported in the statement of support, revenue, expenses and other changes in net assets.

(h) In-kind Contributions

Contributed assets are reported as support and assets in the period received at estimated fair value when determinable.

Unskilled volunteer services neither create nor enhance nonfinancial assets nor do they require specialized skills, and thus are not recognized as support, assets or expense in the financial statements.

JAMES RIVER ASSOCIATION
Notes to Financial Statements
Year Ended June 30, 2008

(1) Summary of Significant Accounting Policies (continued)

(h) In-kind Contributions (continued)

Contributions of services that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded as support and expenses at estimated fair value when determinable.

(i) Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as an organization that is not a private foundation. Accordingly, no provision for income taxes is made in the financial statements.

(2) Land

In 2002, the Organization received an in-kind contribution of six acres of undeveloped land located along the James River in Prince George County. The Organization intends to maintain the land in its undeveloped state. The land is reported at its assessed value for property tax purposes as of the date of the contribution.

(3) Investments Restricted for Endowment

Summary information about the Organization's investments restricted for endowment is as follows (see also note 5):

	<u>Cost</u>	<u>Fair Value</u>
Equity securities	\$ 357,966	390,911
Fixed income securities	376,388	364,996
Money market mutual fund	<u>27,545</u>	<u>27,545</u>
	<u>\$ 761,899</u>	<u>783,452</u>

(4) Temporarily Restricted Net Assets

Temporarily restricted net assets of \$240,250 at June 30, 2008 consist of cash and cash equivalents restricted for programs scheduled for the following year.

(5) Net Assets Permanently Restricted for Endowment

The Organization has received contributions from two private foundations for the creation and growth of an endowment fund designated as the Kirby Fund. Contributions to the Kirby Fund are permanently restricted for the endowment and may be invested in money market funds, treasury bills, and publicly traded equity and fixed income securities. Interest and dividend income derived from such investments is available to James River Association to expend without restriction for the executive director's salary and general operations as management deems appropriate. Realized and unrealized gains and losses on the Kirby Fund assets remain as part of the Kirby Fund's permanently restricted endowment.

JAMES RIVER ASSOCIATION
Notes to Financial Statements
Year Ended June 30, 2008

(6) Related Party Transactions

Contributions in the accompanying statements of support, revenue, expenses and other changes in net assets-modified cash basis include donations from members of the Organization's board of directors of \$58,312.

(7) In-kind Contributions

In-kind contributions of various gift items, valued at the \$35,191 in proceeds received upon their sale at the annual Westover Lawn Party event, are included in special events support in the accompanying statement of support, revenue, expenses and other changes in net assets-modified cash basis.

(8) Operating Leases

Office space used by the Organization is leased under a noncancelable operating lease which expires in August 2012. Rent payments under the lease for the year ended June 30, 2008 totaled \$18,888.

Future minimum lease payments under this lease are as follows:

Year ending June 30,	
2009	\$ 24,464
2010	26,913
2011	29,609
2012	32,571
2013	<u>4,117</u>
	<u>\$ 117,674</u>

James River Association incurred \$3,300 in rent expense for the year ended June 30, 2008 under a lease for the Organization's former office space which terminated in September 2007.

Parking spaces for the use of the Organization's employees are rented on a month-to-month basis. Rent payments for the spaces totaled \$2,700 for the year ended June 30, 2008.

(9) Retirement Plan

James River Association maintains a Savings Incentive Match Plan for Employees ("SIMPLE Plan") under which the Organization matches employee elective deferrals of up to 3% of eligible employee compensation. The Organization contributed \$6,510 in matching contributions to the SIMPLE Plan for the year ended June 30, 2008. The employer contributions are included in employee benefits in the accompanying financial statements.

(10) Concentrations

Two foundations made grants to the Organization totaling 23% of total support and revenue in the year ended June 30, 2008. One of the grants, totaling 11% of total support and revenue, is restricted for non-recurring equipment and vehicle purchases, which purchases had not yet been made as of June 30, 2008.

JAMES RIVER ASSOCIATION
Notes to Financial Statements
Year Ended June 30, 2008

(10) Concentrations (continued)

The Organization had cash deposits in a financial institution in excess of Federal Deposit Insurance Corporation ("FDIC") insured limits totaling \$464,862 at June 30, 2008. The FDIC insured limits were subsequently increased from \$100,000 to \$250,000 per depositor under the Emergency Economic Stabilization Act of 2008 (the "Act"), effective October 3, 2008. Under the Act, the insured limits return to \$100,000 on January 1, 2010.

(11) Conservation Easements

James River Association is the holder or co-holder of easements gifted to the Organization under the Virginia Conservation Easement Act on certain undeveloped land in the Virginia counties of James City, Goochland, Powhatan, Charles City, and Prince George. Under the easements, the related property owners are restricted in perpetuity from developing the land and the Organization may enforce such restriction.

As these easements are non-transferable and have no cost or fair value, they are not reported in the accompanying financial statements.