

**JAMES RIVER ASSOCIATION**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2017 AND 2016**

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HARRIS, HARDY & JOHNSTONE, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
James River Association  
Richmond, Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of James River Association (a nonprofit organization) (the "Association"), which comprise the statements of financial position as of June 30, 2017 and 2016, 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***

The Association's 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.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of James River Association as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Harris, Hardy ; Johnstone, P.C.*

Richmond, Virginia  
October 30, 2017

JAMES RIVER ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 641,985	\$ 776,446
Grants receivable	305,351	164,086
Prepaid expenses	44,092	28,035
Investments in marketable securities, current	10,014	10,019
TOTAL CURRENT ASSETS	<u>1,001,442</u>	<u>978,586</u>
<b>PROPERTY AND EQUIPMENT</b>		
Property, equipment and software	578,245	530,746
Buildings and improvements	535,510	535,510
Land	81,700	81,700
	<u>1,195,455</u>	<u>1,147,956</u>
Less: Accumulated amortization and depreciation	479,767	426,271
NET PROPERTY AND EQUIPMENT	<u>715,688</u>	<u>721,685</u>
<b>OTHER ASSETS</b>		
Investments in marketable securities, non-current	1,248,925	1,218,828
Security deposits	2,750	2,750
TOTAL OTHER ASSETS	<u>1,251,675</u>	<u>1,221,578</u>
	<u>\$ 2,968,805</u>	<u>\$ 2,921,849</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 56,125	\$ 43,817
Accrued expenses and payroll withholdings	8,449	691
TOTAL CURRENT LIABILITIES	<u>64,574</u>	<u>44,508</u>
<b>NET ASSETS</b>		
Unrestricted	1,175,241	1,174,870
Temporarily restricted	1,728,990	1,702,471
TOTAL NET ASSETS	<u>2,904,231</u>	<u>2,877,341</u>
	<u>\$ 2,968,805</u>	<u>\$ 2,921,849</u>

See Independent Auditor's Report and Notes to Financial Statements

JAMES RIVER ASSOCIATION

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2017 AND 2016

	2017		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUE</b>			
Program revenue			
Grants	\$ -	\$ 1,054,232	\$ 1,054,232
Contributions	530,990	14,461	545,451
Fees for services	74,711	-	74,711
Special events	275,802	-	275,802
Investment income	34,493	-	34,493
Miscellaneous	104	-	104
Product sales	14	-	14
Unrealized gain on investments in marketable securities	-	75,935	75,935
Realized loss on investments in marketable securities	-	(3,446)	(3,446)
Net assets released from restrictions	1,114,663	(1,114,663)	-
TOTAL REVENUE	<u>2,030,777</u>	<u>26,519</u>	<u>2,057,296</u>
<b>EXPENSES</b>			
Program services	1,484,082	-	1,484,082
Management and general	180,430	-	180,430
Fundraising	365,894	-	365,894
TOTAL EXPENSES	<u>2,030,406</u>	<u>-</u>	<u>2,030,406</u>
CHANGE IN NET ASSETS	371	26,519	26,890
Net assets, beginning of year	<u>1,174,870</u>	<u>1,702,471</u>	<u>2,877,341</u>
NET ASSETS, END OF YEAR	<u>\$ 1,175,241</u>	<u>\$ 1,728,990</u>	<u>\$ 2,904,231</u>

See Independent Auditor's Report and Notes to Financial Statements

2016		
Unrestricted	Temporarily Restricted	Total
\$ 66,932	\$ 903,371	\$ 970,303
448,665	43,264	491,929
45,921	-	45,921
217,463	-	217,463
31,568	-	31,568
5,104	-	5,104
165	-	165
-	18,049	18,049
-	(28,620)	(28,620)
1,147,257	(1,147,257)	-
<u>1,963,075</u>	<u>(211,193)</u>	<u>1,751,882</u>
1,555,518	-	1,555,518
160,264	-	160,264
392,537	-	392,537
<u>2,108,319</u>	<u>-</u>	<u>2,108,319</u>
(145,244)	(211,193)	(356,437)
<u>1,320,114</u>	<u>1,913,664</u>	<u>3,233,778</u>
<u>\$ 1,174,870</u>	<u>\$ 1,702,471</u>	<u>\$ 2,877,341</u>

See Independent Auditor's Report and Notes to Financial Statements

JAMES RIVER ASSOCIATION

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2017 AND 2016

	2017			Total
	Program Services	Supporting Services		
		Management and General	Fundraising	
Salaries and wages	\$ 791,143	\$ 55,773	\$ 185,908	\$ 1,032,824
Professional fees	211,616	37,137	2,995	251,748
Programs	112,824	14,648	74,069	201,541
Employee benefits	76,025	5,359	17,865	99,249
Taxes - payroll and other	63,333	4,465	14,882	82,680
Printing, publications and advertising	42,840	701	28,501	72,042
Depreciation and amortization	48,084	7,912	-	55,996
Occupancy	35,068	6,502	7,738	49,308
Insurance	32,089	4,749	5,651	42,489
Travel and meals	32,832	3,739	5,736	42,307
Meetings - Board/committees	10,338	6,025	16,826	33,189
Postage and office	6,006	13,301	3,670	22,977
Telephone and utilities	7,339	7,605	980	15,924
Staff development	10,215	5,535	-	15,750
Technology	1,577	6,253	656	8,486
Dues and subscriptions	2,753	726	417	3,896
	<u>\$ 1,484,082</u>	<u>\$ 180,430</u>	<u>\$ 365,894</u>	<u>\$ 2,030,406</u>

See Independent Auditor's Report and Notes to Financial Statements



2016

Program Services	Supporting Services		Total
	Management and General	Fundraising	
\$ 792,982	\$ 49,886	\$ 196,427	\$ 1,039,295
170,281	34,216	2,695	207,192
193,032	7,103	83,753	283,888
72,200	4,542	17,884	94,626
74,222	4,669	18,385	97,276
62,392	1,325	30,340	94,057
41,999	9,119	-	51,118
33,895	6,191	8,343	48,429
32,770	5,023	5,977	43,770
39,830	3,345	6,098	49,273
13,615	4,200	11,637	29,452
5,706	13,501	7,395	26,602
9,555	8,038	1,550	19,143
6,033	2,310	64	8,407
2,746	6,096	932	9,774
4,260	700	1,057	6,017
<u>\$ 1,555,518</u>	<u>\$ 160,264</u>	<u>\$ 392,537</u>	<u>\$ 2,108,319</u>

See Independent Auditor's Report and Notes to Financial Statements

JAMES RIVER ASSOCIATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 26,890	\$ (356,437)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Realized loss on investments in marketable securities	3,446	28,620
Unrealized gain on investments in marketable securities	(75,935)	(18,049)
Depreciation and amortization	55,996	51,118
(Increase) decrease in Grants receivable	(141,265)	(101,496)
Prepaid expenses	(16,057)	12,506
Increase (decrease) in Accounts payable	12,308	(4,081)
Accrued expenses and payroll withholdings	7,758	(1,730)
	<u>(126,859)</u>	<u>(389,549)</u>
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(49,999)	(8,906)
Proceeds from sale of investments in marketable securities	355,100	209,009
Purchase of investments in marketable securities	(312,703)	(324,629)
	<u>(7,602)</u>	<u>(124,526)</u>
NET CASH USED IN INVESTING ACTIVITIES		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(134,461)	(514,075)
Cash and cash equivalents - beginning	<u>776,446</u>	<u>1,290,521</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 641,985</u>	<u>\$ 776,446</u>

See Independent Auditor's Report and Notes to Financial Statements

# JAMES RIVER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

The James River Association (the "Association") is a Virginia not-for-profit organization dedicated to the preservation and conservation of the James River. The stated mission of the Association is to be guardian of the James River. The Association operates five principal programs: Advocacy, Education, Community Conservation, the James Riverkeeper, and Watershed Restoration.

#### Summary of Significant Accounting Policies

##### Basis of Presentation

The financial statement presentation follows the recommendations of Financial Accounting Standards Board (FASB) ASC 958-205. Under FASB ASC 958-205, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted Net Assets - Net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets resulting from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Association pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

Permanently Restricted Net Assets - Net assets resulting from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Association's actions. The Association had no permanently restricted net assets as of June 30, 2017 and 2016.

##### Fair Value Measurement

The Association applies FASB ASC 820, "*Fair Value Measurements and Disclosures*". FASB ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FASB ASC 820 uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

- Level 1 - Quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 - Directly or indirectly observable valuations in the marketplace at the measurement date other than Level 1 inputs
- Level 3 - Valuations unobservable in the marketplace at the measurement date

##### Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Future events and circumstances could alter those estimates.

# JAMES RIVER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2017 AND 2016

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Income Tax Status

The Association is exempt from federal income taxes as defined under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Association's tax-exempt purpose could be subject to taxation as unrelated business income. In addition, the Association 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).

#### Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Association may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Association and various positions related to the potential sources of unrelated business taxable income (UBTI). The Association has recognized no uncertain tax positions for the year ended June 30, 2017. The Association is generally no longer subject to examination by the Internal Revenue Service for years prior to 2014.

#### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash on deposit at banks in checking, savings, and money market accounts, and cash deposited in money market investment accounts.

#### Unconditional Promises to Give

Unconditional promises to give that are due within one year are reported at the net realizable value management expects to collect. Management reviews individual promises to give and records an allowance for specific promises considered uncollectible. At June 30, 2017 and 2016, management considered all unconditional promises to give collectible, and therefore, no allowance was recorded in the accompanying statements of financial position.

#### Investments in Marketable Securities

Investments in marketable securities with readily determined fair values and all debt securities are carried at fair value in the financial statements. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

#### Property and Equipment

Property and equipment are capitalized and recorded at cost. Depreciation is computed using straight-line and accelerated methods over the assets useful life.

# JAMES RIVER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2017 AND 2016

### NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Contributions

Unless specific donor restrictions are present, contributions are recorded as unrestricted support. Contributions with donor imposed restrictions of a nonpermanent nature with either a time restriction or a specific purpose restriction are recorded as temporarily restricted support. Upon removal or expiration of a donor restriction, temporarily restricted net assets are reclassified as unrestricted net assets. Contributions with donor restrictions that cannot be fulfilled, expire, or otherwise be removed by action of the Association are recorded as permanently restricted support.

Contributed marketable securities and other in-kind donations are recorded at their estimated fair value at the date of donation. Contributions of in-kind property items to be sold at the annual Westover Lawn Party are recorded at the realized sale price as special events income.

Volunteer contributions of services involving specialized skill which would otherwise be purchased by the Association are recorded as support and expenditure at the estimated fair value. Volunteer contributions of unskilled services that do not involve specialized skill are not recorded as support or expenditure.

#### Allocation of Functional Expenses

Costs of providing various programs and other activities are summarized on a functional basis in the statement of activities and in the statement of functional expenses. Program services are activities designed to fulfill the Association's stated mission. Management and general services are activities relating to management of the Association, including general oversight, management, and recordkeeping. Fundraising activities include the cost to maintain donor lists and the cost of special events and fundraising campaigns. Accordingly, certain costs are allocated among the programs and supporting services benefited.

### NOTE B - INVESTMENTS IN MARKETABLE SECURITIES

The Association's investments at June 30, 2017 and 2016 are summarized below:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 719,286	\$ 848,811	\$ 723,995	\$ 777,018
Corporate bonds	257,134	261,422	290,309	300,182
Certificates of deposit	76,000	76,222	86,000	87,356
Fixed income securities	69,479	72,484	67,478	64,291
	<u>\$1,121,899</u>	<u>\$1,258,939</u>	<u>\$1,167,782</u>	<u>\$1,228,847</u>

The fair value of all investments of the Association held at June 30, 2017 and 2016 is measured using Level 1 inputs.

# JAMES RIVER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2017 AND 2016

### NOTE C - TEMPORARILY RESTRICTED ASSETS

The Association had temporarily restricted net assets at June 30, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
Kirby and Youth Funds	\$1,336,524	\$1,272,962
Advocacy	111,981	66,981
Community conservation	109,422	144,653
Watershed restoration	100,000	88,545
Capital projects	39,000	48,225
Special events	15,000	-
Education	14,200	73,020
Capacity building	2,863	8,085
	<u>\$1,728,990</u>	<u>\$1,702,471</u>

### NOTE D - THE KIRBY FUND

The Association received cumulative cash contributions from the F. M. Kirby Foundation, Inc. and the Guilford Foundation, Inc. for the creation of a permanently restricted fund designated the Kirby Fund. Fund assets are invested in money market funds and marketable securities.

Prior to the year ended June 30, 2015, the Association had limited withdrawals to interest and dividend income only, to be used for executive operating expenditures. Unexpended interest and dividend income did not become a part of the restricted fund balance. The restricted fund balance was, however, adjusted by realized and unrealized gains and losses of Kirby Fund assets. Effective January 1, 2014, the donor approved an amendment to the policy for withdrawals from the Fund. On a quarterly basis, in approximately March, June, September and December, funds are transferred from the Kirby Fund to the operating account of the Association in equal quarterly installments. The annual amount transferred is a declared percentage of the average closing value of the portfolio on December 31 of the prior three years. For the calendar years 2014 through 2016 the declared rate was 4%. In the absence of action by the Executive Committee, the default rate remains 4%. After 2016, the Executive Committee can authorize a rate between 2% and 4.5% for a specific year, based on its assessment of the investment climate and the Association's cash needs. This rate can be authorized or adjusted at any time up to the date of the first (March) draw for the new calendar year. As a result of the policy amendment, the permanent restriction of the Kirby Fund was lifted and the net assets became temporarily restricted for time.

The Association received \$100,000 during the year ended June 30, 2014 to establish another endowment fund, the Youth Leadership Fund. The Youth Leadership Fund is used for the benefit of the Association's environmental education. Funds distributed from this endowment shall be used to hold an annual Youth Leadership Summit for the Environment. The Youth Leadership Fund is subject to the same earnings and withdrawal policies as the Kirby Fund.

# JAMES RIVER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2017 AND 2016

### NOTE E - RETIREMENT PLANS

The Association maintained a Savings Incentive Match Plan for Employees (“SIMPLE”) retirement plan, under which the Association would match employee elective deferrals up to 3% of a covered employee’s compensation. For the year ended June 30, 2016, the Association contributed \$5,216 under the plan. This plan was terminated effective December 31, 2015.

The Association adopted a 401(k) plan for its employees on January 1, 2016. All eligible employees can make elective salary-deferred contributions to the plan. The Association makes discretionary contributions to the plan on behalf of full-time employees, subject to plan requirements of one year of service and the age of twenty-one. Employees are fully vested in the plan after six years of service. For the years ended June 30, 2017 and 2016, the Association contributed \$15,166 and \$4,791, respectively, under the plan. Contributions by the Association are reported on the financial statements as employee benefits.

### NOTE F - LEASE COMMITMENTS

Under an office lease dated September 9, 2013, the Association entered a five-year lease agreement for office space in the City of Richmond, Virginia commencing on November 1, 2013 and ending on October 31, 2018. The lease calls for monthly rent of \$2,500 with incremental increases each year of the lease term.

The Association leases office equipment under a non-cancelable operating lease. The lease term is five years commencing on April 4, 2017 and ending on April 13, 2022.

Under an office lease dated July 1, 2012, the Association rented office space located in the City of Lynchburg, Virginia. The lease has been renewed annually and expires on December 31, 2018 with monthly rent of \$500.

The Association leased parking spaces and storage space on a month-to-month basis at June 30, 2017 and 2016.

Future rental payments on the non-cancelable operating leases are as follows:

<u>Year</u>	
2018	\$ 42,188
2019	13,589
2020	2,148
2021	2,148
2022	1,611
	<u>\$ 61,684</u>

### NOTE G - CONCENTRATION OF CREDIT RISK

At June 30, 2017 and 2016, deposits were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. The Association maintained bank accounts in several financial institutions with deposits totaling \$0 and \$16,632 in excess of FDIC coverage at June 30, 2017 and 2016, respectively.

# JAMES RIVER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2017 AND 2016

### NOTE H - CONSERVATION EASEMENTS

The Association is the holder or co-holder of easements received pursuant to the Virginia Conservation Easement Act establishing perpetual conservation easements exclusively for the purpose of conserving and forever maintaining wildlife habitat, agriculture resource base, scenic character, and open space character of the subject property. Easements are held in the Counties of Charles City, Goochland, James City, Powhatan, and Prince George, Virginia. The Association has opted not to attach a monetary value to these conservation easements, and accordingly, they are not recorded as assets on the accompanying statement of financial position.

### NOTE I - SUBSEQUENT EVENTS

In the preparation of its financial statements, James River Association considered subsequent events through October 30, 2017, which was the date the financial statements were available to be issued.