

**JAMES RIVER ASSOCIATION**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2019 AND 2018**

## CONTENTS

INDEPENDENT AUDITOR'S REPORT.....	Page 1 - 2
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION.....	3
STATEMENT OF ACTIVITIES - YEAR ENDED JUNE 30, 2019 .....	4
STATEMENT OF ACTIVITIES - YEAR ENDED JUNE 30, 2018 .....	5
STATEMENT OF FUNCTIONAL EXPENSES - YEAR ENDED JUNE 30, 2019.....	6
STATEMENTS OF CASH FLOWS .....	7
NOTES TO FINANCIAL STATEMENTS .....	8 - 20



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, 2019 and 2018 and the related statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended June 30, 2019, 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, 2019 and 2018, 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  
December 9, 2019

JAMES RIVER ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash	\$ 421,854	\$ 237,450
Accounts receivable	600	8,700
Contributions receivable	158,531	172,473
Investments, operations	215,778	324,038
Prepaid expenses	98,070	31,334
Land, buildings, and equipment, net	759,851	759,143
Deposits	250	2,750
Endowment and long-term investments	1,405,411	1,360,174
	<u>\$ 3,060,345</u>	<u>\$ 2,896,062</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 146,729	\$ 151,482
 <b>NET ASSETS</b>		
Without donor restrictions	1,328,926	1,146,205
With donor restrictions	1,584,690	1,598,375
	<u>2,913,616</u>	<u>2,744,580</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 3,060,345</u>	<u>\$ 2,896,062</u>

See Independent Auditor's Report and Notes to Financial Statements

# JAMES RIVER ASSOCIATION

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Support			
Contributions			
Individuals	\$ 763,463	\$ 36,009	\$ 799,472
Corporations and foundations	5,740	1,141,211	1,146,951
Capital campaign	-	160,537	160,537
Total Support	<u>769,203</u>	<u>1,337,757</u>	<u>2,106,960</u>
Special Events			
Special event revenue	221,360	-	221,360
Less: Direct benefits to donors	(48,480)	-	(48,480)
Net Support from Special Events	<u>172,880</u>	<u>-</u>	<u>172,880</u>
Program Services Revenue			
Fees for services	154,538	-	154,538
Total Program Services Revenue	<u>154,538</u>	<u>-</u>	<u>154,538</u>
Other Revenues and Gains			
Investment return, net	38,594	74,551	113,145
Other revenue	1,499	-	1,499
Total Other Revenues and Gains	<u>40,093</u>	<u>74,551</u>	<u>114,644</u>
Net Assets Released from Restrictions			
Satisfaction of program restrictions	1,370,594	(1,370,594)	-
Expiration of time restrictions	30,000	(30,000)	-
Appropriation from donor endowment and subsequent satisfaction of any related donor restrictions	25,399	(25,399)	-
Total Net Assets Released from Restrictions	<u>1,425,993</u>	<u>(1,425,993)</u>	<u>-</u>
<b>TOTAL REVENUES, GAINS, AND OTHER SUPPORT</b>	<u>2,562,707</u>	<u>(13,685)</u>	<u>2,549,022</u>
<b>EXPENSES</b>			
Program Services			
Advocacy	299,078	-	299,078
Awareness	284,056	-	284,056
Action	563,275	-	563,275
Appreciation	643,520	-	643,520
Total Program Services	<u>1,789,929</u>	<u>-</u>	<u>1,789,929</u>
Management and General	220,522	-	220,522
Fundraising	369,535	-	369,535
<b>TOTAL EXPENSES</b>	<u>2,379,986</u>	<u>-</u>	<u>2,379,986</u>
<b>CHANGE IN NET ASSETS</b>	<u>182,721</u>	<u>(13,685)</u>	<u>169,036</u>
NET ASSETS, beginning of year	1,146,205	1,598,375	2,744,580
NET ASSETS, end of year	<u>\$ 1,328,926</u>	<u>\$ 1,584,690</u>	<u>\$ 2,913,616</u>

See Independent Auditor's Report and Notes to Financial Statements

JAMES RIVER ASSOCIATION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Support			
Contributions			
Individuals	\$ 554,190	\$ 8,945	\$ 563,135
Corporations and foundations	-	1,388,071	1,388,071
Capital campaign	-	-	-
Total Support	<u>554,190</u>	<u>1,397,016</u>	<u>1,951,206</u>
Special Events			
Special event revenue	218,288	-	218,288
Less: Direct benefits to donors	(58,847)	-	(58,847)
Net Support from Special Events	<u>159,441</u>	<u>-</u>	<u>159,441</u>
Program Services Revenue			
Fees for services	170,782	-	170,782
Total Program Services Revenue	<u>170,782</u>	<u>-</u>	<u>170,782</u>
Other Revenues and Gains			
Investment return, net	37,168	48,759	85,927
Other revenue	2,499	-	2,499
Total Other Revenues and Gains	<u>39,667</u>	<u>48,759</u>	<u>88,426</u>
Net Assets Released from Restrictions			
Satisfaction of program restrictions	1,513,102	(1,513,102)	-
Expiration of time restrictions	30,000	(30,000)	-
Appropriation from donor endowment and subsequent satisfaction of any related donor restrictions	33,288	(33,288)	-
Total Net Assets Released from Restrictions	<u>1,576,390</u>	<u>(1,576,390)</u>	<u>-</u>
<b>TOTAL REVENUES, GAINS, AND OTHER SUPPORT</b>	<u>2,500,470</u>	<u>(130,615)</u>	<u>2,369,855</u>
<b>EXPENSES</b>			
Program Services			
Advocacy	337,028	-	337,028
Awareness	320,100	-	320,100
Action	634,749	-	634,749
Appreciation	725,177	-	725,177
Total Program Services	<u>2,017,054</u>	<u>-</u>	<u>2,017,054</u>
Management and General	219,380	-	219,380
Fundraising	293,072	-	293,072
<b>TOTAL EXPENSES</b>	<u>2,529,506</u>	<u>-</u>	<u>2,529,506</u>
<b>CHANGE IN NET ASSETS</b>	<u>(29,036)</u>	<u>(130,615)</u>	<u>(159,651)</u>
NET ASSETS, beginning of year	1,175,241	1,728,990	2,904,231
NET ASSETS, end of year	<u>\$ 1,146,205</u>	<u>\$ 1,598,375</u>	<u>\$ 2,744,580</u>

See Independent Auditor's Report and Notes to Financial Statements

JAMES RIVER ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services				Total Program Services	Management and		Total
	Advocacy	Awareness	Action	Appreciation		General	Fundraising	
Salaries and wages	\$ 188,977	\$ 121,137	\$ 202,500	\$ 341,510	\$ 854,124	\$ 93,515	\$ 204,642	\$ 1,152,281
Payroll taxes	14,351	9,199	15,378	25,934	64,862	7,101	15,540	87,503
Employee benefits	15,019	9,628	16,094	27,142	67,883	7,432	16,264	91,579
	218,347	139,964	233,972	394,586	986,869	108,048	236,446	1,331,363
Professional fees	30,187	104,727	212,454	60,670	408,038	34,141	89,326	531,505
Programs	4,595	948	51,904	76,908	134,355	3,844	47,514	185,713
Depreciation and amortization	12,621	4,964	23,400	26,335	67,320	1,395	442	69,157
Occupancy	5,779	2,065	13,123	21,091	42,058	6,588	7,840	56,486
Postage and office	11	2,123	2,436	9,113	13,683	25,916	1,801	41,400
Printing, publications and advertising	147	21,185	3,011	650	24,993	730	9,264	34,987
Travel and meals	6,308	201	5,360	16,926	28,795	1,118	3,083	32,996
Insurance	3,263	1,202	6,010	12,053	22,528	3,836	4,565	30,929
Meetings - Board/committees	1,360	414	4,733	4,746	11,253	5,636	13,320	30,209
Staff development	3,380	-	1,183	6,698	11,261	7,363	152	18,776
Telephone and utilities	1,968	550	1,951	5,680	10,149	7,828	720	18,697
Worker's compensation	3,040	1,949	3,258	5,494	13,741	1,504	3,292	18,537
Taxes, fees and licenses	1,969	-	373	2,455	4,797	6,596	-	11,393
Technology	710	3,665	(265)	80	4,190	5,279	250	9,719
Dues and subscriptions	5,393	99	372	35	5,899	700	-	6,599
<b>TOTAL EXPENSES</b>	<b>299,078</b>	<b>284,056</b>	<b>563,275</b>	<b>643,520</b>	<b>1,789,929</b>	<b>220,522</b>	<b>418,015</b>	<b>2,428,466</b>
Direct benefits to donors	-	-	-	-	-	-	(48,480)	(48,480)
<b>PER STATEMENT OF ACTIVITIES</b>	<b>\$ 299,078</b>	<b>\$ 284,056</b>	<b>\$ 563,275</b>	<b>\$ 643,520</b>	<b>\$ 1,789,929</b>	<b>\$ 220,522</b>	<b>\$ 369,535</b>	<b>\$ 2,379,986</b>

See Independent Auditor's Report and Notes to Financial Statements



JAMES RIVER ASSOCIATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 169,036	\$ (159,651)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Interest and dividends restricted for reinvestment	(1,067)	(2,246)
Depreciation and amortization	69,157	53,821
(Increase) decrease in		
Accounts receivable	8,100	(8,700)
Contributions receivable	13,942	72,878
Prepaid expenses	(66,736)	12,758
Deposits	2,500	-
Increase (decrease) in		
Accounts payable	(4,753)	95,357
Accrued expenses and payroll withholdings	-	(8,449)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>190,179</u>	<u>55,768</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of land, buildings, and equipment	(69,863)	(37,276)
Proceeds from sale of investments, operations	109,327	-
Realized gains on endowment and long-term investments	(12,488)	(30,226)
Unrealized gains on endowment and long-term investments	(62,063)	(18,533)
Reinvestment in endowment and long-term investments	29,312	25,109
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(5,775)</u>	<u>(60,926)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	184,404	(5,158)
CASH, beginning of year	<u>237,450</u>	<u>242,608</u>
<b>CASH, end of year</b>	<u>\$ 421,854</u>	<u>\$ 237,450</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES</b>		
Contribution of property and equipment	<u>\$ -</u>	<u>\$ 60,000</u>

See Independent Auditor's Report and Notes to Financial Statements

# JAMES RIVER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

#### Organization

The James River Association (the "Association") is a Virginia nonprofit organization dedicated to the preservation and conservation of the James River. The stated mission of the Association is to be a guardian of the James River. The Association operates four principal programs: Advocacy, Awareness, Action, and Appreciation.

#### Program Description

*Advocacy* - To achieve policy changes that drive actions needed to protect the James and connect people to it.

*Awareness* - To ensure all watershed residents know their connection to the James and their role in protecting it.

*Action* - To engage partners and members to put projects on the ground that protect the James and connect people to it.

*Appreciation* - To ensure everyone has a personal connection to the James and is inspired to do their part.

#### Summary of Significant Accounting Policies

The Association prepares its financial statements in accordance with accounting principles generally accepted in the United States of America for nonprofit entities. The significant accounting and reporting policies used by the Association are described subsequently to enhance the usefulness and understandability of the financial statements.

#### Fair Value Measurements

The Association reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by accounting principles generally accepted in the United States of America, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the Association has access at the measurement date.
- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets in markets that are not active;
  - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
  - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

# JAMES RIVER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

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

#### Fair Value Measurements - Continued

When available, the Association measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the Association is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the Association's financial statements are

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give.
- recurring measurement of operating investments, operations (Note E).
- recurring measurement of endowment and long-term investments (Note G).

The Association uses the following ways to determine the fair value of its investments:

*Money market funds:* Determined by the published NAV per unit at the end of the last trading day of the year, which is the basis for transactions at that date.

*Invested cash and certificates of deposit:* Determined by the cost basis of the instrument plus any investment return through the last day of the year.

*U.S. Department of Treasury obligations and Corporate bonds:* Determined using contractual cash flows and the interest rate determined by the closing bid price on the last business day of the fiscal year if the same or an obligation with a similar maturity is actively traded.

*Equity securities traded on national securities exchanges:* Determined by the closing price on the last business day of the fiscal year.

*Open-end fixed income and mutual funds:* Determined by the published NAV per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date.

#### Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities as of the date of the financial statements. On an ongoing basis, the Association's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Association's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

#### Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements, with no effect on previously reported change in net assets.

# JAMES RIVER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

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

#### Income Tax

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, 2019 and 2018. The Association is generally no longer subject to examination by the Internal Revenue Service for years prior to 2016.

#### Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on donor restricted investments are reported as decreases in net assets without donor restrictions. Net gains on donor restricted investments increase net assets with donor restrictions, and net losses on donor restricted investments reduce that net asset class.

#### Cash Equivalents

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a long-term or endowment nature.

#### Accounts Receivable/Allowance

Accounts receivable are primarily unsecured non-interest-bearing amounts due from customers for program services. Management believes that all outstanding accounts receivable are collectible in full, therefore no allowance for uncollectible receivables has been provided.

#### Investments, Operations

The Association invests cash in excess of its immediate needs in certificates of deposit. Investments, operations are reported at fair value.

The investment policy specific to these investments is monitored by the Investment Committee of the Association's Board of Directors. The policy requires that investments be readily marketable and nonvolatile.

# JAMES RIVER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

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

#### Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value as of the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises.

#### Land, Buildings, and Equipment/Depreciation

Land, buildings, and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets.

Land, buildings and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

#### Endowment and Long-term Investments

Endowment and long-term investments consist of investments purchased with the following resources:

- Donor-restricted term endowments, which are contributions restricted by donors to investment for the term specified by the donor. During that term, the donor may either require investment income and appreciation to be reinvested in the fund or may permit the Association to spend those amounts in accordance with the donor's restrictions on use.

Endowment and long-term investments are reported at fair value with changes to fair value reported as investment return in the statement of activities. Purchases and sales of investments are reported on the trade date.

The investment and spending policies for these endowment and long-term investments, called the Kirby and Youth Leadership Funds, are discussed in note G.

# JAMES RIVER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

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

#### Endowment and Long-term Investments - Continued

The Association is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) of Virginia and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of James River Association has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Association considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Association has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of James River Association.

#### Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

##### Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Association, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

##### Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Association must continue to use the resources in accordance with the donor's instructions.

# JAMES RIVER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

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

#### Net Assets - Continued

##### Net Assets With Donor Restrictions - Continued

The Association's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Association, unless the donor provides more specific directions about the period of its use.

#### Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

#### Gifts-in-Kind Contributions

The Association receives contributions in a form other than cash or investments. Most are donated supplies, which are recorded as contributions as of the date of gift and as expenses when the donated items are placed into service or distributed. If the Association receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meet the Association's capitalization policy.

The Association benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Association's program operations and in its fundraising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. Accounting principles generally accepted in the United States of America allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. The Association did not have any personal services that met the above thresholds for the years ended June 30, 2019 and 2018.

# JAMES RIVER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

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

#### Expense Recognition and Allocation

The cost of providing the Association's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Occupancy, insurance, and depreciation and amortization are allocated based on management's estimate of the costs of programs and supporting activities occupying the space.
- Other expenses that cannot be directly identified are allocated on the basis of management's estimate of the allocable portion to each program and supporting activity.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Association.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Association generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.



# JAMES RIVER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

### NOTE B - CHANGE IN ACCOUNTING PRINCIPLE

The Association implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- Temporarily restricted net assets are included in net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources.

The changes have the following effect on net assets as of June 30, 2018:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 1,146,205	
Temporarily restricted net assets	1,598,375	
Net assets without donor restrictions		\$ 1,146,205
Net assets with donor restrictions		1,598,375
Total net assets	<u>\$ 2,744,580</u>	<u>\$ 2,744,580</u>

### NOTE C - LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 are:

Financial assets:	
Cash and cash equivalents	\$ 421,854
Accounts receivable	600
Contributions receivable	158,531
Investments, operations	215,778
Endowment and long-term investments	1,405,411
Total financial assets	<u>2,202,174</u>
Less financial assets held to meet donor-imposed restrictions:	
Purpose restricted net assets (Note H)	153,543
Donor-restricted endowment funds (Note G)	1,401,147
Less financial assets not available within one year:	
Contributions receivable (Note D)	<u>30,000</u>
Total financial assets available for general expenditures within one year	<u>\$ 617,484</u>

The above table reflects donor-restricted endowment funds as unavailable because it is the Association's intention to invest those resources for the long-term support of the Association. Note G provides more information about those funds and about the spending policies for all endowment funds.

JAMES RIVER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

NOTE D - CONTRIBUTIONS RECEIVABLE

As of June 30, 2019 and 2018, contributors to the Association have made unconditional promises to give that relate to the following purposes:

	2019	2018
Current	\$ 128,531	\$ 112,473
Non-current	30,000	60,000
	<u>\$ 158,531</u>	<u>\$ 172,473</u>

NOTE E - INVESTMENTS

Investments consist of the following as of June 30, 2019 and 2018:

	Fair Value	
	2019	2018
Investments, operations		
Certificates of deposit	\$ 215,778	\$ 324,038
Total investments, operations	215,778	324,038
Endowment and long-term investments:		
Equities	959,664	929,864
U. S. treasury obligations	139,157	-
Corporate bonds	109,580	222,395
Fixed-income securities	84,802	78,327
Invested cash	62,149	43,909
Certificates of deposit	50,059	85,679
Total investments, endowment and long-term	<u>1,405,411</u>	<u>1,360,174</u>
Total investments	<u>\$ 1,621,189</u>	<u>\$ 1,684,212</u>

# JAMES RIVER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

### NOTE F - LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consist of the following as of June 30, 2019 and 2018:

	2019	2018
Property, equipment and software	\$ 653,481	\$ 600,522
Buildings and improvements	535,510	535,510
Land	141,700	141,700
Construction in progress	-	15,000
	<u>1,330,691</u>	<u>1,292,732</u>
Less: Accumulated depreciation and amortization	570,840	533,589
	<u>\$ 759,851</u>	<u>\$ 759,143</u>

### NOTE G - ENDOWMENTS (KIRBY FUND AND YOUTH LEADERSHIP FUND)

The Association received cumulative cash contributions from the F. M. Kirby Foundation, Inc. and the Guilford Foundation, Inc. for the creation of a perpetually restricted fund designated the Kirby Fund. Fund assets are invested in 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 were transferred from the Kirby Fund to the operating account of the Association in equal quarterly installments. The annual amount transferred was 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 remained 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 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, 2019 AND 2018

NOTE G - ENDOWMENTS (KIRBY FUND AND YOUTH LEADERSHIP FUND) - Continued

The net asset composition of the endowments as of June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Donor-restricted funds:		
Perpetual endowment	\$ 1,401,147	\$ 1,351,995

All endowment net assets as of June 30, 2019 and 2018 are with donor restrictions.

The changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Endowment net assets, beginning of year	\$ 1,351,995	\$ 1,336,524
Investment return	74,551	48,759
Appropriations of endowment assets for expenditure	(25,399)	(33,288)
Endowment net assets, end of year	<u>\$ 1,401,147</u>	<u>\$ 1,351,995</u>

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2019 and 2018, net assets with donor restrictions are available for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Purpose restrictions, available for spending:		
Education	\$ 65,000	\$ 30,000
Watershed	63,103	71,850
Community conservation	25,440	47,500
Advocacy	-	37,030
Total purpose-restricted net assets	<u>153,543</u>	<u>186,380</u>
Time restrictions:		
Contributions receivable, which are unavailable for spending until due, some of which are also subject to purpose restrictions (education)	30,000	60,000
Endowment Funds, which must be appropriated in accordance with Fund spending policies	<u>1,401,147</u>	<u>1,351,995</u>
Total net assets with donor restrictions	<u>\$ 1,584,690</u>	<u>\$ 1,598,375</u>

# JAMES RIVER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

### NOTE I - RETIREMENT PLANS

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, 2019 and 2018, the Association contributed \$19,911 and \$19,790, respectively, under the plan. Contributions by the Association are reported in the financial statements as employee benefits.

### NOTE J - LEASE COMMITMENTS

Under an office lease dated April 23, 2018, the Association entered a four-year lease agreement for office space in the City of Richmond, Virginia commencing on September 1, 2018 and ending on September 30, 2022. The lease calls for monthly rent of \$3,300 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. The lease calls for monthly rent of \$179.

Under an office lease dated July 1, 2012, the Association rents office space located in the City of Lynchburg, Virginia. The lease expired December 31, 2018, then was extended on a month to month basis.

Under an office lease dated January 1, 2019, the Association rents office space located in the City of Scottsville, Virginia. The lease is for one year and expires on December 31, 2019 with monthly rent of \$400.

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

<u>Year</u>	
2020	\$ 45,039
2021	43,854
2022	44,568
2023	10,818
	<u>\$ 144,279</u>

### NOTE K - CONCENTRATION OF CREDIT RISK

As of June 30, 2019 and 2018, deposits were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. From time to time, the Association has deposits in excess of FDIC coverage.

# JAMES RIVER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2019 AND 2018

### NOTE L - 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 M - SUBSEQUENT EVENTS

In the preparation of its financial statements, James River Association considered subsequent events through December 9, 2019, which was the date the financial statements were available to be issued.