

JAMES RIVER ASSOCIATION

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

CONTENTS

INDEPENDENT AUDITOR’S REPORT.....	Page 1 - 3
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION.....	4
STATEMENT OF ACTIVITIES - YEAR ENDED JUNE 30, 2023	5
STATEMENT OF ACTIVITIES - YEAR ENDED JUNE 30, 2022	6
STATEMENT OF FUNCTIONAL EXPENSES - YEAR ENDED JUNE 30, 2023.....	7
STATEMENT OF FUNCTIONAL EXPENSES - YEAR ENDED JUNE 30, 2022.....	8
STATEMENTS OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS	10 - 25
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING</i> <i>STANDARDS</i>	26 - 27
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE.....	28 - 30
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	32



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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
James River Association
Richmond, Virginia

Opinion

We have audited the accompanying financial statements of James River Association (the "Association") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of James River Association as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of James River Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about James River Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 James River Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about James River Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2023, on our consideration of James River Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of James River Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering James River Association's internal control over financial reporting and compliance.

Harris, Hardy & Johnstone, P.C.

Richmond, Virginia
November 10, 2023

JAMES RIVER ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 5,479,063	\$ 3,287,347
Contributions receivable, net	3,329,342	3,276,034
Other receivables	34,248	62,646
Investments, operations	220,722	218,185
Prepaid expenses	43,639	40,082
Land, buildings, and equipment, net	2,745,711	1,988,289
Right-of-use assets - operating, net of accumulated amortization of \$37,845	206,467	-
Deposits	4,221	4,221
Investments, endowment and long-term	1,673,671	1,618,917
	<u>\$ 13,737,084</u>	<u>\$ 10,495,721</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 952,129	\$ 231,787
Lease liabilities - operating	212,305	-
TOTAL LIABILITIES	<u>1,164,434</u>	<u>231,787</u>
 NET ASSETS		
Without donor restrictions	3,148,583	2,469,367
With donor restrictions	9,424,067	7,794,567
TOTAL NET ASSETS	<u>12,572,650</u>	<u>10,263,934</u>
	<u>\$ 13,737,084</u>	<u>\$ 10,495,721</u>

See Independent Auditor's Report and Notes to Financial Statements

JAMES RIVER ASSOCIATION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Support			
Contributions			
Individuals, net	\$ 355,000	\$ 74,491	\$ 429,491
Corporations and foundations	833,984	-	833,984
Core grants	1,594,193	1,492,886	3,087,079
Capital campaign, net	-	2,623,169	2,623,169
Total Support	<u>2,783,177</u>	<u>4,190,546</u>	<u>6,973,723</u>
Special Events			
Special event revenue	2,208	-	2,208
Less: Direct benefits to donors	(27,049)	-	(27,049)
Net Support from Special Events	<u>(24,841)</u>	<u>-</u>	<u>(24,841)</u>
Program Services Revenue			
Fees for services	<u>370,169</u>	<u>-</u>	<u>370,169</u>
Other Revenues, Gains and (Losses)			
Investment return, net	200,954	83,254	284,208
Other revenue	1,378	-	1,378
Loss on disposal of assets	(822)	-	(822)
Total Other Revenues, Gains and (Losses)	<u>201,510</u>	<u>83,254</u>	<u>284,764</u>
Net Assets Released from Restrictions			
Satisfaction of program restrictions	2,496,533	(2,496,533)	-
Expiration of time restrictions	86,547	(86,547)	-
Appropriation from donor endowment and subsequent satisfaction of any related donor restrictions	61,220	(61,220)	-
Total Net Assets Released from Restrictions	<u>2,644,300</u>	<u>(2,644,300)</u>	<u>-</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>5,974,315</u>	<u>1,629,500</u>	<u>7,603,815</u>
EXPENSES			
Program Services			
Advocacy	426,924	-	426,924
Awareness	271,480	-	271,480
Action	2,142,784	-	2,142,784
Appreciation	1,497,224	-	1,497,224
Total Program Services	<u>4,338,412</u>	<u>-</u>	<u>4,338,412</u>
Management and General	392,977	-	392,977
Fundraising	563,710	-	563,710
TOTAL EXPENSES	<u>5,295,099</u>	<u>-</u>	<u>5,295,099</u>
CHANGE IN NET ASSETS	<u>679,216</u>	<u>1,629,500</u>	<u>2,308,716</u>
NET ASSETS, beginning of year	2,469,367	7,794,567	10,263,934
NET ASSETS, end of year	<u>\$ 3,148,583</u>	<u>\$ 9,424,067</u>	<u>\$ 12,572,650</u>

See Independent Auditor's Report and Notes to Financial Statements

JAMES RIVER ASSOCIATION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Support			
Contributions			
Individuals, net	\$ 392,006	\$ 12,415	\$ 404,421
Corporations and foundations	469,738	-	469,738
Core grants	1,481,071	2,325,429	3,806,500
Capital campaign, net	-	5,556,982	5,556,982
Total Support	<u>2,342,815</u>	<u>7,894,826</u>	<u>10,237,641</u>
Special Events			
Special event revenue	4,100	-	4,100
Less: Direct benefits to donors	(7,545)	-	(7,545)
Net Support from Special Events	<u>(3,445)</u>	<u>-</u>	<u>(3,445)</u>
Program Services Revenue			
Fees for services	<u>256,200</u>	<u>-</u>	<u>256,200</u>
Other Revenues, Gains and (Losses)			
Investment return, net	27,272	(219,851)	(192,579)
Other revenue	1,324	-	1,324
Loss on Turkey Island transfer	(109,757)	-	(109,757)
Total Other Revenues, Gains and (Losses)	<u>(81,161)</u>	<u>(219,851)</u>	<u>(301,012)</u>
Net Assets Released from Restrictions			
Satisfaction of program restrictions	2,908,925	(2,908,925)	-
Expiration of time restrictions	648,993	(648,993)	-
Appropriation from donor endowment and subsequent satisfaction of any related donor restrictions	30,636	(30,636)	-
Total Net Assets Released from Restrictions	<u>3,588,554</u>	<u>(3,588,554)</u>	<u>-</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>6,102,963</u>	<u>4,086,421</u>	<u>10,189,384</u>
EXPENSES			
Program Services			
Advocacy	465,063	-	465,063
Awareness	161,639	-	161,639
Action	2,902,533	-	2,902,533
Appreciation	1,098,329	-	1,098,329
Total Program Services	<u>4,627,564</u>	<u>-</u>	<u>4,627,564</u>
Management and General	407,917	-	407,917
Fundraising	611,441	-	611,441
TOTAL EXPENSES	<u>5,646,922</u>	<u>-</u>	<u>5,646,922</u>
CHANGE IN NET ASSETS	<u>456,041</u>	<u>4,086,421</u>	<u>4,542,462</u>
NET ASSETS, beginning of year	2,013,326	3,708,146	5,721,472
NET ASSETS, end of year	<u>\$ 2,469,367</u>	<u>\$ 7,794,567</u>	<u>\$ 10,263,934</u>

See Independent Auditor's Report and Notes to Financial Statements

JAMES RIVER ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Program Services				Total Program Services	Management and		Total
	Advocacy	Awareness	Action	Appreciation		General	Fundraising	
Salaries and wages	\$ 277,520	\$ 115,390	\$ 475,091	\$ 784,185	\$ 1,652,186	\$ 260,840	\$ 379,731	\$ 2,292,757
Payroll taxes	20,147	8,836	35,923	59,033	123,939	15,618	28,014	167,571
Employee benefits	33,619	9,135	51,568	56,252	150,574	43,762	25,103	219,439
	<u>331,286</u>	<u>133,361</u>	<u>562,582</u>	<u>899,470</u>	<u>1,926,699</u>	<u>320,220</u>	<u>432,848</u>	<u>2,679,767</u>
Programs	31,540	-	810,015	309,518	1,151,073	-	-	1,151,073
Professional fees	1,500	114,785	467,952	7,435	591,672	31,735	28,724	652,131
Program supplies	9,111	-	212,289	46,755	268,155	-	-	268,155
Travel and meals	4,410	214	19,242	63,337	87,203	1,077	5,941	94,221
Occupancy	12,315	5,291	15,396	30,056	63,058	10,372	12,528	85,958
Depreciation and amortization	6,369	-	11,436	56,017	73,822	6,640	-	80,462
Insurance	4,477	2,239	8,157	26,098	40,971	8,155	4,477	53,603
Technology	4,405	1,281	9,978	3,680	19,344	(767)	25,514	44,091
Postage and office	1,453	3,037	1,006	3,132	8,628	4,315	30,334	43,277
Printing, publications, and advertising	255	5,325	7,439	3,202	16,221	223	26,182	42,626
Meetings - Board/committees	1,765	284	2,576	6,160	10,785	5,307	10,614	26,706
Taxes, fees, and licenses	467	-	4,266	16,922	21,655	753	125	22,533
Staff development	6,088	250	2,611	9,701	18,650	1,659	1,385	21,694
Repairs and maintenance	4,494	-	6,035	10,869	21,398	160	-	21,558
Other	2,810	1,249	1,249	3,434	8,742	2,498	3,122	14,362
Dues and subscriptions	4,179	4,164	555	882	9,780	297	51	10,128
Bank charges	-	-	-	556	556	333	8,914	9,803
TOTAL EXPENSES	<u>426,924</u>	<u>271,480</u>	<u>2,142,784</u>	<u>1,497,224</u>	<u>4,338,412</u>	<u>392,977</u>	<u>590,759</u>	<u>5,322,148</u>
Direct benefits to donors	-	-	-	-	-	-	(27,049)	(27,049)
PER STATEMENT OF ACTIVITIES	<u>\$ 426,924</u>	<u>\$ 271,480</u>	<u>\$ 2,142,784</u>	<u>\$ 1,497,224</u>	<u>\$ 4,338,412</u>	<u>\$ 392,977</u>	<u>\$ 563,710</u>	<u>\$ 5,295,099</u>

See Independent Auditor's Report and Notes to Financial Statements

JAMES RIVER ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services				Total Program Services	Management and General		Fundraising	Total
	Advocacy	Awareness	Action	Appreciation					
Salaries and wages	\$ 268,479	\$ 111,446	\$ 390,770	\$ 585,315	\$ 1,356,010	\$ 262,167	\$ 319,493	\$ 1,937,670	
Payroll taxes	20,560	8,514	29,479	45,479	104,032	17,781	23,765	145,578	
Employee benefits	37,562	8,637	48,391	30,665	125,255	37,925	24,521	187,701	
	<u>326,601</u>	<u>128,597</u>	<u>468,640</u>	<u>661,459</u>	<u>1,585,297</u>	<u>317,873</u>	<u>367,779</u>	<u>2,270,949</u>	
Programs	65,263	-	1,787,157	195,163	2,047,583	3,676	-	2,051,259	
Professional fees	13,614	4,250	394,766	3,850	416,480	26,958	117,197	560,635	
Program supplies	10,834	-	183,335	63,499	257,668	-	-	257,668	
Technology	2,155	5,308	3,442	5,283	16,188	9,252	59,115	84,555	
Occupancy	11,338	4,401	14,536	28,646	58,921	15,305	9,178	83,404	
Depreciation and amortization	7,793	-	11,253	36,667	55,713	5,689	-	61,402	
Travel and meals	3,018	848	14,911	38,647	57,424	1,830	2,124	61,378	
Insurance	5,000	-	7,000	28,879	40,879	12,293	-	53,172	
Printing, publications, and advertising	357	7,103	6,101	6,094	19,655	142	30,441	50,238	
Postage and office	368	6,560	2,764	3,212	12,904	3,300	10,796	27,000	
Meetings - Board/committees	891	572	620	2,094	4,177	5,301	16,803	26,281	
Staff development	4,910	87	2,483	6,623	14,103	3,039	505	17,647	
Repairs and maintenance	6,420	-	2,682	6,430	15,532	826	-	16,358	
Taxes, fees, and licenses	1,285	52	2,577	9,461	13,375	1,372	78	14,825	
Dues and subscriptions	5,216	3,861	266	1,535	10,878	369	-	11,247	
Bank charges	-	-	-	787	787	692	4,970	6,449	
TOTAL EXPENSES	<u>465,063</u>	<u>161,639</u>	<u>2,902,533</u>	<u>1,098,329</u>	<u>4,627,564</u>	<u>407,917</u>	<u>618,986</u>	<u>5,654,467</u>	
Direct benefits to donors	-	-	-	-	-	-	(7,545)	(7,545)	
PER STATEMENT OF ACTIVITIES	<u>\$ 465,063</u>	<u>\$ 161,639</u>	<u>\$ 2,902,533</u>	<u>\$ 1,098,329</u>	<u>\$ 4,627,564</u>	<u>\$ 407,917</u>	<u>\$ 611,441</u>	<u>\$ 5,646,922</u>	

See Independent Auditor's Report and Notes to Financial Statements

JAMES RIVER ASSOCIATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,308,716	\$ 4,542,462
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Interest and dividends restricted for reinvestment	(2,537)	(342)
Contributions restricted for long-term purposes	-	(200,000)
Loss on Turkey Island transfer	-	109,757
Loss on disposal of assets	822	-
Depreciation and amortization	118,307	61,402
(Increase) decrease in		
Contributions receivable, net	(53,308)	(1,078,780)
Other receivables	28,398	(62,571)
Prepaid expenses	(3,557)	(12,057)
Deposits	-	(3,971)
Increase (decrease) in		
Accounts payable	720,342	(264,351)
Lease liabilities - operating	(32,007)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,085,176</u>	<u>3,091,549</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land, buildings, and equipment	(838,706)	(1,085,012)
Realized (gains) losses on investments, endowment and long-term	48,790	(59,869)
Unrealized (gains) losses on investments, endowment and long-term	(132,044)	279,720
Reinvestment in investments, endowment and long-term	28,500	(196,012)
NET CASH USED IN INVESTING ACTIVITIES	<u>(893,460)</u>	<u>(1,061,173)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for endowment	-	200,000
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>200,000</u>
NET INCREASE IN CASH	2,191,716	2,230,376
CASH, beginning of year	<u>3,287,347</u>	<u>1,056,971</u>
CASH, end of year	<u><u>\$ 5,479,063</u></u>	<u><u>\$ 3,287,347</u></u>

See Independent Auditor's Report and Notes to Financial Statements

JAMES RIVER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13 (“ASU 2016-13”), *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU replaces the current incurred loss model used to measure impairment losses with an expected loss model for trade and other receivables. The standard is effective for non-public entities for annual reporting periods beginning after December 15, 2022, with early adoption permitted and will be applied using a modified-retrospective approach through a cumulative-effect adjustment, if necessary, to net assets as of the beginning of the first reporting period in which the guidance is effective. The Association is currently evaluating the reporting and economic implications of the new standard.

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, “Leases (Topic 842)” superseding Topic 840 which provides a new approach to lease accounting with an objective to increase transparency and comparability among organizations by requiring the capitalization of substantially all leases on the statements of financial position and disclosure of key information about leasing arrangements. The FASB concluded that all leases give rise to assets and liabilities that should be recognized on the statements of financial position, but further concluded that the economics of leases differ from one another and those different economics should be reflected in the financial statements. Therefore, lessees classify leases as either a finance or operating lease. Both types of leases are recognized on the statements of financial position, but the amount, timing, and classification of expenses related to the leases differs depending on lease type.

JAMES RIVER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2023 AND 2022

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

Adoption of New Accounting Standard - Continued

The core principle of the new guidance is that an entity should recognize, at the lease commencement date, a right-of-use asset and lease liability when the lessee obtains control over the use of the leased asset. The right-of-use asset and lease liability are initially measured at the present value of the future lease payments.

The transition guidance allows for the application of various practical expedients in the adoption of FASB ASC 842, Leases.

Effective July 1, 2022, the Association adopted FASB ASC 842, Leases on a modified retrospective basis, therefore comparative financial information has not been restated and continues to be reported under FASB ASC 840.

The Association elected to adopt the package of three practical expedients available under the transition guidance. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract.

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, 2023 AND 2022

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 (Note D).
- recurring measurement of endowment and long-term investments (Notes D and F).

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

Money market funds: Valued at the closing price reported by the fund sponsor from an actively traded exchange.

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.

JAMES RIVER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2023 AND 2022

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

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.

Income Taxes

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 Association 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 years ended June 30, 2023 and 2022.

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.

Schedule of Expenditures of Federal Awards

The accompanying Supplemental Schedule of Expenditures of Federal Awards is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures reported on the Supplemental Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations* or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Association has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

JAMES RIVER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2023 AND 2022

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

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.

Contributions Receivable/Allowance

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.

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.

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 one 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.

JAMES RIVER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2023 AND 2022

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

Investments, Endowment and Long-term

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 F.

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

JAMES RIVER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2023 AND 2022

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

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.

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.

JAMES RIVER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2023 AND 2022

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

Gifts-in-Kind Contributions - Continued

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, 2023 and 2022.

Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies is subject to independent audit under the Office of Management and Budget's audit requirements for federal awards and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Association's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Association.

Revenue Recognition Policy

Revenue is measured based on consideration specified in a contract with a customer. The Association recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. The Association has no contract assets or liabilities to report as of June 30, 2023 and 2022.

Performance Obligations

Educational programs - For performance obligations related to educational programs, control transfers to the attendee(s) over time. Revenue is recognized throughout the program. The programs have durations that vary depending on the event, but are generally an hour to 24 hours.

Special Events - For performance obligations related to special events, control transfers to the attendee(s) over time. Revenue is recognized throughout the event. The events have durations that generally last a few hours.

Leases

The Association determines if a contract contains a lease at inception based on whether the Association has the right to control the asset during the contract period and other facts and circumstances. The lease classification is determined at the commencement date.

The Association has elected to apply the practical expedient allowing for leases with terms of 12 months or fewer to remain off the statements of financial position.

The Association applies the discount rate implicit in the lease contract. If there is no implicit rate, the Association applies its incremental borrowing rate or the risk-free interest rate. The Association has not elected to apply a single discount rate to each portfolio of leases.

JAMES RIVER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2023 AND 2022

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

Leases - Continued

The Association applies the practical expedient to use hindsight in determining the lease term when a lease contains renewal or termination options. Options to renew are considered reasonably certain of being exercised based on evaluation of the Association's economic and strategic initiatives.

The Association has elected not to combine lease and non-lease components as a single lease component for each class of assets. Non-lease components are expensed as incurred and are not included in the right-of-use asset and lease liability.

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, 2023 AND 2022

NOTE B - LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2023 are:

Financial assets:	
Cash	\$ 5,479,063
Contributions receivable, net	3,329,342
Other receivables	34,248
Investments, operations	220,722
Investments, endowment and long-term	<u>1,673,671</u>
Total financial assets	10,737,046
Less financial assets held to meet donor-imposed restrictions:	
Purpose restricted net assets (Note G)	7,783,308
Donor-restricted endowment funds (Notes F and G)	1,556,919
Less financial assets not available within one year:	
Time restricted contributions receivable, net (Note G)	<u>83,840</u>
Total financial assets available for general expenditures within one year	<u><u>\$ 1,312,979</u></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 F provides more information about those funds and about the spending policies for all endowment funds.

As part of the Association's liquidity management plan, cash in excess of daily requirements is kept in short-term investments (Note D). The Association maintains two revolving lines of credit totaling \$800,000 to cover short-term cash needs (Note J).

NOTE C - CONTRIBUTIONS RECEIVABLE

As of June 30, 2023 and 2022, contributors to the Association have made multi-year unconditional promises to give that are due as follows:

	<u>2023</u>	<u>2022</u>
Current	\$ 2,049,298	\$ 2,027,774
Non-current	<u>1,411,249</u>	<u>1,415,556</u>
Total unconditional promises to give	3,460,547	3,443,330
Less discounts to net present value	<u>131,205</u>	<u>167,296</u>
	<u><u>\$ 3,329,342</u></u>	<u><u>\$ 3,276,034</u></u>

Non-current contributions receivable are discounted at 5%.

JAMES RIVER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2023 AND 2022

NOTE D - INVESTMENTS

Investments consist of the following as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments, operations			
Certificates of deposit	\$ -	\$ 220,722	\$ 220,722
Total investments, operations	<u>-</u>	<u>220,722</u>	<u>220,722</u>
Investments, endowment and long-term:			
Equities	1,127,473	-	1,127,473
U. S. Treasury obligations	74,051	-	74,051
Fixed-income securities	<u>-</u>	<u>472,147</u>	<u>472,147</u>
Total investments, endowment and long-term	<u>1,201,524</u>	<u>472,147</u>	<u>1,673,671</u>
 Total investments	 <u>\$ 1,201,524</u>	 <u>\$ 692,869</u>	 <u>\$ 1,894,393</u>

Investments consist of the following as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments, operations			
Certificates of deposit	\$ -	\$ 218,185	\$ 218,185
Total investments, operations	<u>-</u>	<u>218,185</u>	<u>218,185</u>
Investments, endowment and long-term:			
Equities	1,040,217	-	1,040,217
U. S. Treasury obligations	72,684	-	72,684
Fixed-income securities	<u>-</u>	<u>506,016</u>	<u>506,016</u>
Total investments, endowment and long-term	<u>1,112,901</u>	<u>506,016</u>	<u>1,618,917</u>
 Total investments	 <u>\$ 1,112,901</u>	 <u>\$ 724,201</u>	 <u>\$ 1,837,102</u>

JAMES RIVER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2023 AND 2022

NOTE E - LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment, net consist of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Property, equipment, and software	\$ 2,852,668	\$ 2,097,024
Buildings and improvements	535,510	535,510
Land	81,700	81,700
	<u>3,469,878</u>	<u>2,714,234</u>
Less: Accumulated depreciation and amortization	724,167	725,945
	<u>\$ 2,745,711</u>	<u>\$ 1,988,289</u>

NOTE F - ENDOWMENTS (KIRBY FUND AND YOUTH LEADERSHIP FUND)

The Association received cumulative cash contributions from the F. M. Kirby Association, Inc. and the Guilford Association, Inc. for the creation of a term 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, 2023 AND 2022

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

The net asset composition of the endowments as of June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Donor-restricted funds:		
Term endowment	\$ 1,556,919	\$ 1,534,885

All endowment net assets as of June 30, 2023 and 2022 are with donor restrictions.

The changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Endowment net assets, beginning of year	\$ 1,534,885	\$ 1,585,372
Investment return	83,254	(219,851)
Contributions	-	200,000
Transfer	-	25,000
Appropriations of endowment assets for expenditure	(61,220)	(55,636)
Endowment net assets, end of year	<u>\$ 1,556,919</u>	<u>\$ 1,534,885</u>

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2023 and 2022, net assets with donor restrictions are available for the following purposes or periods:

	<u>2023</u>	<u>2022</u>
Purpose restrictions, available for spending:		
Education	\$ 6,904,418	\$ 6,060,487
Action	508,301	17,920
Campaign	226,121	62,500
Appreciation	61,798	-
Development	47,177	21,226
Advocacy	35,493	15,000
Total purpose-restricted net assets	<u>7,783,308</u>	<u>6,177,133</u>
Time restrictions:		
Contributions receivable, which are unavailable for spending until due, some of which are also subject to purpose restrictions (education)	83,840	82,549
Endowment Funds, which must be appropriated in accordance with Fund spending policies	<u>1,556,919</u>	<u>1,534,885</u>
Total net assets with donor restrictions	<u>\$ 9,424,067</u>	<u>\$ 7,794,567</u>

JAMES RIVER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2023 AND 2022

NOTE H - 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 attaining the age of twenty-one. Employees are fully vested in the plan after six years of service. For the years ended June 30, 2023 and 2022, the Association contributed \$52,437 and \$47,856, respectively, under the plan. Contributions by the Association are reported in the financial statements as employee benefits.

NOTE I - LEASES

The Association has leases for commercial real estate and for office equipment. At the date of implementation of ASC 842, Leases, the Association recognized right-of-use assets and lease liabilities from operating leases totaling \$12,479.

Commercial Real Estate

Under an office lease dated April 23, 2018, the Association entered a four-year operating lease agreement for office space in the City of Richmond, Virginia commencing on September 1, 2018 and ending on September 30, 2022. The lease called for monthly rent of \$3,300 with incremental increases each year of the lease term. The lease was not renewed during the year ended June 30, 2023.

Under an office lease dated July 18, 2022, the Association entered a 61-month operating lease agreement for office space in the City of Richmond, Virginia commencing on September 1, 2022 and ending on September 30, 2027. At inception of this lease, the Association recognized a right-of-use asset and lease liability for \$231,833. The lease calls for monthly rent of \$3,971 with a 3% increase each year of the lease term.

The Association maintains office space located in the City of Lynchburg, Virginia through a ten-year agreement commencing on July 1, 2022 and ending on June 30, 2031. The Association makes no payments on this agreement as a result of credits received for river access improvements the Association made for during the year ended June 30, 2022. This agreement does not qualify as a lease under ASC 842.

The Association rents office space located in the City of Scottsville, Virginia with monthly rent of \$400 on a month-to-month basis. The lease can be terminated by either lessee or lessor at any time. This lease does not qualify as a lease under ASC 842 as a result of the short-term practical expedient.

Office Equipment

The Association leased office equipment under a non-cancelable operating lease. The lease term was five years commencing on April 4, 2017 and ended on April 13, 2022. The lease called for monthly rent of \$179.

The Association leases office equipment under a non-cancelable operating lease. The lease term is five years commencing April 2022 and ending in April 2027. The lease calls for monthly rent of \$178.

The Association leases office equipment under a non-cancelable operating lease. The lease term is five years commencing February 2022 and ending in February 2027. The lease calls for monthly rent of \$58.

JAMES RIVER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2023 AND 2022

NOTE I - LEASES - Continued

As of June 30, 2023, the weighted-average remaining lease term for all operating leases is 5.7 years.

The risk-free rate has been used as discount rate when the rate implicit in the lease is unknown. The weighted-average discount rate associated with operating leases as of June 30, 2023 is 3.37%. During the year ended June 30, 2023, the Association paid \$6,553 for interest.

During the year ended June 30, 2023, lease expenses were as follows:

Operating lease expense	\$ 44,398
Short-term lease expense	11,648
Total lease expenses	<u>\$ 56,046</u>

Future payments due under operating leases as of June 30, 2023 are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 51,663
2025	53,128
2026	54,637
2027	55,427
2028	13,540
Total undiscounted cash flows	228,395
Less: present value discount	16,090
Total lease liabilities	<u>\$ 212,305</u>

NOTE J - LINES OF CREDIT

The Association had available an unsecured line of credit totaling \$200,000 carrying interest at the Prime rate plus 0.25% (3.25% at June 30, 2023) as of June 30, 2023 and 2022. Borrowings on the line of credit totaled \$0 as of June 30, 2023 and 2022. The line matures on demand by the lender.

On November 19, 2021, the Association entered into another line of credit agreement. The Association had available a line of credit totaling \$600,000 carrying interest at the Prime rate plus 0.25% (3.25% at June 30, 2023) as of June 30, 2023. There were no outstanding borrowings on the line of credit as of June 30, 2023 and 2022. The line is secured by all inventory, chattel paper, accounts, equipment, and general intangibles of the Association. The line matures on demand by the lender.

JAMES RIVER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued

JUNE 30, 2023 AND 2022

NOTE K - CONCENTRATION OF CREDIT RISK

The Association's deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. As of June 30, 2023 and 2022, the Association had deposits totaling \$222,196 and \$481,330, respectively, in excess of FDIC coverage. The Association has a money market deposit insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 per financial institution. Deposits in excess of SIPC coverage total \$4,602,030.

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 - TURKEY ISLAND CREEK

Beginning in 2013, the James River Association began securing funds to purchase and improve a 12.2-acre parcel of land at 5501 New Market Road in Henrico County, Virginia known as Turkey Island Creek. After purchasing the property and protecting it in a conservation easement in 2018, the James River Association used the property to launch education programs and worked with Henrico County to open it as a public park. The James River Association improved the property by demolishing a dilapidated structure, improving the driveway, and installing a paddlecraft launch on the creek. The James River Association gifted the property to Henrico County in July 2021 after initial improvements were made and the county opened Turkey Island Creek Conservation Area to public use shortly thereafter. The gift of the property to Henrico County resulted in a book loss in the James River Association's financials for the year ended June 30, 2022 due to the transfer of the asset of (\$109,757). The James River Association is proud that it was able to preserve and improve the Turkey Island Creek property to provide generations of Richmonders with easy access to the James River.

NOTE N - SUBSEQUENT EVENTS

In the preparation of its financial statements, James River Association considered subsequent events through November 10, 2023, which was the date the financial statements were available to be issued.



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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
James River Association
Richmond, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of James River Association (the "Association") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harris, Hardy ; Johnstone, P.C.

Richmond, Virginia
November 10, 2023



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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
James River Association
Richmond, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited James River Association's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of James River Association's major federal programs for the year ended June 30, 2023. James River Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, James River Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of James River Association and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of James River Association's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to James River Association's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on James River Association's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about James River Association's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding James River Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of James River Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of James River Association's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Harris, Hardy & Johnstone, P.C.

Richmond, Virginia
November 10, 2023

JAMES RIVER ASSOCIATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

Federal Agency	Grant Name	Federal CFDA Number	Pass-Through Entity	Pass-Through Entity/ Grant ID Number	Award Date	Federal Expenditures
U.S. Department of Agriculture	Cooperative Forestry Assistance	10.664	Virginia Department of Forestry	22UCF01	12/5/2022	\$ 5,700
U.S. Department of Commerce	Chesapeake Bay Studies	11.457	National Oceanic and Atmospheric Administration	20640, 20641, 21287, 21293	8/29/2022	20,214
			National Oceanic and Atmospheric Administration	NA21NMF4570496	5/28/2021	<u>128,958</u>
						149,172
U.S. Department of the Interior	Office for Coastal Management	11.473	National Fish and Wildlife Foundation	0318.18.62340	2/1/2019	97,483
	NFWF-USFWS Conservation Partnership	15.663	National Fish and Wildlife Foundation	0901.19.066232	11/30/2019	422
	NFWF-CB Small Watershed Grant	15.670	U.S. Fish and Wildlife Service	0603.22.075153	6/1/2023	21,496
	Chesapeake Bay Gateways Network	15.930	Chesapeake Bay Gateways Network	P20AC01030	8/1/2020	202
			Chesapeake Bay Gateways Network	P20AC01030-01	9/19/2022	<u>157,375</u>
						157,577
U.S. Environmental Protection Agency	Nonpoint Source Implementation Grants	66.460	Virginia Department of Environmental Quality	17165	4/27/2022	94,567
	Chesapeake Bay Program	66.466	National Fish and Wildlife Foundation	0602.20.68098	1/1/2021	246,152
		66.466	Chesapeake Bay Trust	16984	5/31/2019	2,211
		66.466	National Fish and Wildlife Foundation	0602.21.071829	1/1/2022	288,754
		66.466	National Fish and Wildlife Foundation	0603.22.075226	9/1/2022	<u>47,937</u>
						585,054
	Environmental Education Grants	66.951		96377401	7/9/2020	<u>2,467</u>
						<u>\$ 1,113,938</u>

See Independent Auditor's Report

JAMES RIVER ASSOCIATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2023

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of James River Association were prepared in accordance with GAAP.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of James River Association were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for James River Association expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this schedule.
7. The program tested as a major program was:

<u>2023</u>	<u>CFDA #</u>
Chesapeake Bay Program	66.466
8. The threshold for distinguishing Types A and B was \$750,000.
9. James River Association was determined to be a low risk auditee.

Findings - Financial Statement Audit

None

Findings and Questioned Costs - Major Federal Award Programs Audit

None