

**JAMES RIVER ASSOCIATION**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2016 AND 2015**

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JAMES RIVER ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 776,446	\$ 1,290,521
Grants receivable	164,086	62,590
Prepaid expenses	28,035	40,541
Investments in marketable securities, current	10,019	-
TOTAL CURRENT ASSETS	<u>978,586</u>	<u>1,393,652</u>
<b>PROPERTY AND EQUIPMENT</b>		
Property, equipment and software	530,746	535,145
Buildings and improvements	535,510	535,510
Land	81,700	81,700
	<u>1,147,956</u>	<u>1,152,355</u>
Less: Accumulated amortization and depreciation	426,271	388,458
NET PROPERTY AND EQUIPMENT	<u>721,685</u>	<u>763,897</u>
<b>OTHER ASSETS</b>		
Investments in marketable securities, non-current	1,218,828	1,123,798
Security deposits	2,750	2,750
TOTAL OTHER ASSETS	<u>1,221,578</u>	<u>1,126,548</u>
	<u>\$ 2,921,849</u>	<u>\$ 3,284,097</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 43,817	\$ 47,898
Accrued expenses and payroll withholdings	691	2,421
TOTAL CURRENT LIABILITIES	<u>44,508</u>	<u>50,319</u>
<b>NET ASSETS</b>		
Unrestricted	1,174,870	1,320,114
Temporarily restricted	1,702,471	1,913,664
TOTAL NET ASSETS	<u>2,877,341</u>	<u>3,233,778</u>
	<u>\$ 2,921,849</u>	<u>\$ 3,284,097</u>

See Independent Auditor's Report and Notes to Financial Statements

JAMES RIVER ASSOCIATION

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2016 AND 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUE</b>				
Program revenue				
Grants	\$ 66,932	\$ 903,371	\$ -	\$ 970,303
Contributions	448,665	43,264	-	491,929
Fees for services	45,921	-	-	45,921
Special events	217,463	-	-	217,463
Investment income	31,568	-	-	31,568
Miscellaneous	5,104	-	-	5,104
Product sales	165	-	-	165
Unrealized gain (loss) on investments in marketable securities	-	18,049	-	18,049
Realized (loss) gain on investments in marketable securities	-	(28,620)	-	(28,620)
Net assets released from restrictions	1,147,257	(1,147,257)	-	-
<b>TOTAL REVENUE</b>	<u>1,963,075</u>	<u>(211,193)</u>	<u>-</u>	<u>1,751,882</u>
<b>EXPENSES</b>				
Program services	1,555,518	-	-	1,555,518
Management and general	160,264	-	-	160,264
Fundraising	392,537	-	-	392,537
<b>TOTAL EXPENSES</b>	<u>2,108,319</u>	<u>-</u>	<u>-</u>	<u>2,108,319</u>
<b>CHANGE IN NET ASSETS</b>	(145,244)	(211,193)	-	(356,437)
Net assets, beginning of year- as restated	<u>1,320,114</u>	<u>1,913,664</u>	<u>-</u>	<u>3,233,778</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 1,174,870</u></u>	<u><u>\$ 1,702,471</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,877,341</u></u>

See Independent Auditor's Report and Notes to Financial Statements

2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 73,500	\$ 876,453	\$ -	\$ 949,953
382,117	75,858	-	457,975
45,806	-	-	45,806
306,328	-	-	306,328
39,222	-	-	39,222
2,715	-	-	2,715
469	-	-	469
-	(350,050)	-	(350,050)
-	351,149	-	351,149
1,123,163	180,419	(1,303,582)	-
<u>1,973,320</u>	<u>1,133,829</u>	<u>(1,303,582)</u>	<u>1,803,567</u>
1,521,715	-	-	1,521,715
166,632	-	-	166,632
340,797	-	-	340,797
<u>2,029,144</u>	<u>-</u>	<u>-</u>	<u>2,029,144</u>
(55,824)	1,133,829	(1,303,582)	(225,577)
<u>1,375,938</u>	<u>779,835</u>	<u>1,303,582</u>	<u>3,459,355</u>
<u>\$ 1,320,114</u>	<u>\$ 1,913,664</u>	<u>\$ -</u>	<u>\$ 3,233,778</u>

See Independent Auditor's Report and Notes to Financial Statements

JAMES RIVER ASSOCIATION

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2016 AND 2015

	2016			
	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and wages	\$ 792,982	\$ 49,886	\$ 196,427	\$ 1,039,295
Programs	193,032	7,103	83,753	283,888
Professional fees	170,281	34,216	2,695	207,192
Taxes - payroll and other	74,222	4,669	18,385	97,276
Employee benefits	72,200	4,542	17,884	94,626
Printing, publications and advertising	62,392	1,325	30,340	94,057
Depreciation and amortization	41,999	9,119	-	51,118
Travel and meals	39,830	3,345	6,098	49,273
Occupancy	33,895	6,191	8,343	48,429
Insurance	32,770	5,023	5,977	43,770
Meetings - Board/committees	13,615	4,200	11,637	29,452
Postage and office	5,706	13,501	7,395	26,602
Telephone and utilities	9,555	8,038	1,550	19,143
Technology	2,746	6,096	932	9,774
Staff development	6,033	2,310	64	8,407
Dues and subscriptions	4,260	700	1,057	6,017
	<u>\$ 1,555,518</u>	<u>\$ 160,264</u>	<u>\$ 392,537</u>	<u>\$ 2,108,319</u>

See Independent Auditor's Report and Notes to Financial Statements

2015

Program Services	Supporting Services		Total
	Management and General	Fundraising	
\$ 718,938	\$ 51,153	\$ 159,970	\$ 930,061
279,047	12,159	71,112	362,318
167,056	25,308	3,320	195,684
59,756	4,252	13,297	77,305
64,450	4,586	14,341	83,377
35,760	6,119	42,836	84,715
49,496	1,670	-	51,166
33,399	4,896	6,144	44,439
47,246	13,527	5,257	66,030
31,745	4,937	4,198	40,880
13,863	11,224	11,435	36,522
2,845	10,272	7,599	20,716
6,017	8,147	829	14,993
2,376	5,503	71	7,950
5,688	2,835	355	8,878
4,033	44	33	4,110
<u>\$ 1,521,715</u>	<u>\$ 166,632</u>	<u>\$ 340,797</u>	<u>\$ 2,029,144</u>

See Independent Auditor's Report and Notes to Financial Statements

JAMES RIVER ASSOCIATION

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (356,437)	\$ (225,577)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Realized (gain) loss on investments in marketable securities	28,620	(351,149)
Unrealized (gain) loss on investments in marketable securities	(18,049)	350,050
Depreciation and amortization	51,118	51,166
(Increase) decrease in		
Grants receivable	(101,496)	283,661
Prepaid expenses	12,506	(40,541)
Increase (decrease) in		
Accounts payable	(4,081)	(17,416)
Accrued expenses and payroll withholdings	(1,730)	134
	<u>(389,549)</u>	<u>50,328</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(8,906)	(33,262)
Proceeds from sale of investments in marketable securities	209,009	1,349,104
Purchase of investments in marketable securities	(324,629)	(1,298,198)
	<u>(124,526)</u>	<u>17,644</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(514,075)	67,972
Cash and cash equivalents - beginning	<u>1,290,521</u>	<u>1,222,549</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 776,446</u>	<u>\$ 1,290,521</u>

See Independent Auditor's Report and Notes to Financial Statements

# JAMES RIVER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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

#### Organization

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

#### Summary of Significant Accounting Policies

##### Basis of Presentation

The Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be maintained permanently by the Association.

##### Fair Value Measurement

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

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

##### Use of Estimates

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

# JAMES RIVER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS - Continued

### YEARS ENDED JUNE 30, 2016 AND 2015

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

##### Income Tax Status

The Association is exempt from federal income taxes as defined under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Association's tax-exempt purpose could be subject to taxation as unrelated business income. In addition, the Association qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

##### Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Association may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Association and various positions related to the potential sources of unrelated business taxable income (UBTI). The Association has recognized no uncertain tax positions for the year ended June 30, 2016. The Association is generally no longer subject to examination by the Internal Revenue Service for years prior to 2013.

##### Cash and Cash Equivalents

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

##### Unconditional Promises to Give

Unconditional promises to give that are due within one year are reported at the net realizable value management expects to collect. Management reviews individual promises to give and records an allowance for specific promises considered uncollectible. At June 30, 2016 and 2015, management considered all unconditional promises to give collectible, and therefore, no allowance was recorded in the accompanying statements of financial position.

##### Investments in Marketable Securities

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

##### Property and Equipment

Property and equipment are capitalized and recorded at cost. Depreciation is computed using straight-line and accelerated methods with estimated useful lives of three to thirty-nine years.

# JAMES RIVER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS - Continued

YEARS ENDED JUNE 30, 2016 AND 2015

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

#### Contributions

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

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

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

#### Costs of Providing Various Programs and Other Activities

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

### NOTE B - INVESTMENTS IN MARKETABLE SECURITIES

The Association's investments at June 30, 2016 and 2015 are summarized below:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 723,995	\$ 777,018	\$ 756,645	\$ 798,493
Corporate bonds	290,309	300,182	191,099	193,071
Certificates of deposit	86,000	87,356	86,000	86,425
Fixed income securities	67,478	64,291	47,000	45,809
	<u>\$1,167,782</u>	<u>\$1,228,847</u>	<u>\$1,080,744</u>	<u>\$1,123,798</u>

The fair value of all investments of the Association held at June 30, 2016 and 2015 is measured using Level 1 inputs.

# JAMES RIVER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS - Continued

### YEARS ENDED JUNE 30, 2016 AND 2015

#### NOTE C - TEMPORARILY RESTRICTED ASSETS

The Association had temporarily restricted net assets at June 30, 2016 and 2015 as follows:

	<u>2016</u>	<u>2015</u>
Kirby and Youth Funds	\$1,272,962	\$1,304,035
Community conservation	144,653	250,791
Watershed restoration	88,545	47,124
Education	73,020	108,141
Advocacy	66,981	68,313
Presquile capital projects	48,225	115,260
Capacity building	8,085	20,000
	<u>\$1,702,471</u>	<u>\$1,913,664</u>

#### NOTE D - THE KIRBY FUND

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

Prior to the year ended June 30, 2015, the Association had limited withdrawals to interest and dividend income only, to be used for executive operating expenditures. Unexpended interest and dividend income did not become a part of the restricted fund balance. The restricted fund balance was, however, adjusted by realized and unrealized gains and losses of Kirby Fund assets. Effective January 1, 2014, the donor approved an amendment to the policy for withdrawals from the Fund. On a quarterly basis, in approximately March, June, September and December, funds are transferred from the Kirby Fund to the operating account of the Association in equal quarterly installments. The annual amount transferred is a declared percentage of the average closing value of the portfolio on December 31 of the prior three years. For the calendar years 2014 through 2016 the declared rate is 4%. In the absence of action by the Executive Committee, the default rate will continue to be 4%. After 2016, the Executive Committee can authorize a rate between 2% and 4.5% for a specific year, based on its assessment of the investment climate and the Association's cash needs. This rate can be authorized or adjusted at any time up to the date of the first (March) draw for the new calendar year. As a result of the policy amendment, the permanent restriction of the Kirby Fund was lifted and the net assets became temporarily restricted for time. This release resulted in an increase in unrestricted and temporarily restricted net assets of \$1,303,582 as of July 1, 2014 with an equal decrease in permanently restricted net assets.

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

### YEARS ENDED JUNE 30, 2016 AND 2015

#### NOTE E - RETIREMENT PLAN

The Association maintains a Savings Incentive Match Plan for Employees (“SIMPLE”) retirement plan, under which the Association will match employee elective deferrals up to 3% of a covered employee’s compensation. For the years ended June 30, 2016 and 2015, the Association contributed \$10,007 and \$8,538, respectively, under the plan. Contributions by the Association are reported on the financial statements as employee benefits.

#### NOTE F - LEASE COMMITMENT

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

The Association leases office equipment under a non-cancelable operating lease. The lease term is five years commencing on June 12, 2012 and ending on June 11, 2017.

Under an office lease dated July 1, 2012, the Association rented office space located in the City of Lynchburg, Virginia. The lease has been renewed annually and expires on July 31, 2017 with monthly rent of \$521.

Under an office lease dated May 1, 2013, the Association entered a lease agreement for office space in the City of Williamsburg, Virginia commencing on May 1, 2013 and ending on April 30, 2014. The lease was renewed for one year expiring on April 30, 2015 and called for monthly rent of \$800. The lease was renewed for a second year expiring on April 30, 2016 with monthly rent of \$800. The lease was not renewed for a third year.

The Association leased parking spaces and storage space on a month-to-month basis at June 30, 2016 and 2015.

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

<u>Year</u>	
2017	\$ 35,325
2018	33,519
2019	8,441
	<u>\$ 77,285</u>

Total rent payments for the years ended June 30, 2016 and 2015 were \$47,444 and \$66,030, respectively.

#### NOTE G - CONCENTRATION OF CREDIT RISK

At June 30, 2016 and 2015, deposits were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. The Association maintained bank accounts in several financial institutions with deposits totaling \$16,632 and \$300,181 in excess of FDIC coverage at June 30, 2016 and 2015, respectively.

# JAMES RIVER ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS - Continued

### YEARS ENDED JUNE 30, 2016 AND 2015

#### NOTE H - GIFT IN-KIND OF REAL ESTATE

In 2001, the Association received an in-kind contribution of six acres of undeveloped real estate located on the James River in Prince George County, Virginia. The appraisal value of the property was \$300,000. The Association valued the gift at the tax assessment of \$81,700, ignoring potential commercial value or use. The Association expects to maintain the property in its natural undeveloped state.

#### NOTE I - 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 J - SUBSEQUENT EVENTS

In the preparation of its financial statements, James River Association considered subsequent events through December 15, 2016, which was the date the financial statements were available to be issued.