

**Audited Financial Statements  
& Reports Required by Government Auditing  
Standards and the Uniform Guidance**

**AMERICAN RIVERS, INC.**

*June 30, 2018*

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# Independent Auditor’s Report

To the Board of Directors  
American Rivers, Inc.

## Report on the Financial Statements

We have audited the accompanying financial statements of American Rivers, Inc. (American Rivers) which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

## Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to American Rivers’ preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of American Rivers’ internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Rivers as of June 30, 2018 and 2017, 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.

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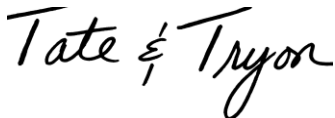
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### **Other Matters**

Our audits were 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 (CFR) 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 information 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 October 14, 2018 on our consideration of American Rivers' 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 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 American Rivers' internal control over financial reporting and compliance.



Washington, DC  
October 14, 2018

# American Rivers, Inc.

## Statements of Financial Position

<i>June 30,</i>	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 6,904,186	\$ 6,596,291
Investments	3,220,865	3,095,017
Accounts receivable, net		
Billed	1,370,741	383,690
Unbilled	2,266,183	1,129,511
Grants and pledges receivable, net	5,626,310	8,730,895
Prepaid expenses and other current assets	249,722	288,260
Property and equipment, net	128,236	164,619
<b>Total assets</b>	<b>\$ 19,766,243</b>	<b>\$ 20,388,283</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 3,925,095	\$ 1,034,082
Accrued salaries and related benefits	545,107	515,835
Refundable advances	539,824	856,820
Charitable gift annuities	154,497	159,306
Deferred rent	471,253	468,502
Deposits payable	3,063	10,366
<b>Total liabilities</b>	<b>5,638,839</b>	<b>3,044,911</b>
Net assets		
Unrestricted	463,205	384,960
Board designated - reserve fund	874,508	864,639
<b>Total unrestricted net assets</b>	<b>1,337,713</b>	<b>1,249,599</b>
Temporarily restricted	10,963,736	14,268,818
Permanently restricted	1,825,955	1,824,955
<b>Total net assets</b>	<b>14,127,404</b>	<b>17,343,372</b>
<b>Total liabilities and net assets</b>	<b>\$ 19,766,243</b>	<b>\$ 20,388,283</b>

See notes to the financial statements.

# American Rivers, Inc.

## Statements of Activities

Year ended June 30,	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue, gains and other support</b>								
Foundation grants	\$ 750,686	\$ 3,050,795	\$ -	\$ 3,801,481	\$ 614,210	\$ 13,087,196	\$ -	\$ 13,701,406
Contributions	2,144,062	574,123	1,000	2,719,185	2,036,585	397,398	-	2,433,983
Other grants	5,236,369	29,500	-	5,265,869	1,486,828	635,155	-	2,121,983
Federal grants	7,835,671	-	-	7,835,671	1,274,514	-	-	1,274,514
Membership	1,081,254	-	-	1,081,254	995,120	-	-	995,120
Other	1,202,720	248,064	-	1,450,784	408,479	190,437	-	598,916
Program service contracts	433,091	-	-	433,091	355,431	7,000	-	362,431
Corporate donations	226,305	110,175	-	336,480	96,570	210,361	-	306,931
Realized gain on sales of investments	7,884	117,607	-	125,491	8,827	29,795	-	38,622
	18,918,042	4,130,264	1,000	23,049,306	7,276,564	14,557,342	-	21,833,906
Net assets released from restrictions	7,480,630	(7,480,630)	-	-	7,214,050	(7,214,050)	-	-
Total revenue, gains and other support	26,398,672	(3,350,366)	1,000	23,049,306	14,490,614	7,343,292	-	21,833,906
<b>Expense</b>								
Program services:								
Federal River Management	3,989,286	-	-	3,989,286	3,808,943	-	-	3,808,943
River Restoration	14,735,950	-	-	14,735,950	3,132,525	-	-	3,132,525
Clean Water Supply	2,464,313	-	-	2,464,313	2,490,040	-	-	2,490,040
River Protection	824,518	-	-	824,518	1,049,911	-	-	1,049,911
Total program expenses	22,014,067	-	-	22,014,067	10,481,419	-	-	10,481,419
Supporting services:								
Fundraising	2,496,087	-	-	2,496,087	2,402,913	-	-	2,402,913
Management and general	1,817,487	-	-	1,817,487	1,582,788	-	-	1,582,788
Total supporting expenses	4,313,574	-	-	4,313,574	3,985,701	-	-	3,985,701
Total expense	26,327,641	-	-	26,327,641	14,467,120	-	-	14,467,120
Change in net assets before other items	71,031	(3,350,366)	1,000	(3,278,335)	23,494	7,343,292	-	7,366,786
<b>Other Items</b>								
Interest and dividends	33,538	39,505	-	73,043	12,161	35,927	3	48,091
Unrealized (loss) gain on investments	(2,983)	5,779	-	2,796	3,483	156,977	-	160,460
Change in value of charitable gift annuities	(13,472)	-	-	(13,472)	(14,903)	-	-	(14,903)
<b>Change in net assets</b>	88,114	(3,305,082)	1,000	(3,215,968)	24,235	7,536,196	3	7,560,434
Net assets, beginning of year	1,249,599	14,268,818	1,824,955	17,343,372	1,225,364	6,732,622	1,824,952	9,782,938
<b>Net assets, end of year</b>	\$ 1,337,713	\$ 10,963,736	\$ 1,825,955	\$ 14,127,404	\$ 1,249,599	\$ 14,268,818	\$ 1,824,955	\$ 17,343,372

See notes to the financial statements.

# American Rivers, Inc.

## Statement of Functional Expenses

For the Year ended June 30, 2018

	River Restoration	Federal River Management	Clean Water Supply	River Protection	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total Expenses
Professional services	\$ 12,551,967	\$ 1,185,655	\$ 281,610	\$ 100,618	\$ 14,119,850	\$ 456,902	\$ 144,808	\$ 601,710	\$ 14,721,560
Salaries	1,096,050	955,536	670,894	406,595	3,129,075	880,943	835,702	1,716,645	4,845,720
Grants	178,467	1,031,557	1,001,138	548	2,211,710			-	2,211,710
Other employee benefits	360,345	314,148	220,241	133,634	1,028,368	289,487	274,728	564,215	1,592,583
Rent and occupancy	165,479	101,309	81,949	36,599	385,336	147,778	256,533	404,311	789,647
Travel	107,575	130,592	66,396	52,279	356,842	77,823	11,156	88,979	445,821
Payroll taxes	95,007	82,827	58,041	35,234	271,109	76,325	72,435	148,760	419,869
Printing and publications	37,081	12,749	11,394	9,209	70,433	201,005	8,285	209,290	279,723
Postage and mailing	8,032	3,305	1,954	1,689	14,980	205,235	1,832	207,067	222,047
Conferences and meetings	25,824	27,674	21,397	16,058	90,953	40,220	45,712	85,932	176,885
Retirement plan	35,224	30,708	21,519	13,063	100,514	28,297	26,854	55,151	155,665
Supplies	24,612	14,925	9,170	8,304	57,011	31,520	16,241	47,761	104,772
Legal fees	3,886	78,212	655	219	82,972		432	432	83,404
Telephone	17,567	8,402	9,699	4,998	40,666	14,623	19,543	34,166	74,832
Other	5,040	1,669	1,180	735	8,624	7,264	41,227	48,491	57,115
Depreciation and amortization	18,595	6,479	4,610	3,719	33,403	4,588	8,382	12,970	46,373
Accounting fees					-		38,385	38,385	38,385
Equipment rental and maintenance	5,199	3,539	2,466	1,017	12,221	4,977	12,755	17,732	29,953
Professional fundraising fees					-	29,100		29,100	29,100
Donated services and materials					-		2,316	2,316	2,316
Interest					-		161	161	161
<b>Total Expenses</b>	<b>\$ 14,735,950</b>	<b>\$ 3,989,286</b>	<b>\$ 2,464,313</b>	<b>\$ 824,518</b>	<b>\$ 22,014,067</b>	<b>\$ 2,496,087</b>	<b>\$ 1,817,487</b>	<b>\$ 4,313,574</b>	<b>\$ 26,327,641</b>

See notes to the financial statements.

# American Rivers, Inc.

## Statement of Functional Expenses

For the Year ended June 30, 2017

	River Restoration	Federal River Management	Clean Water Supply	River Protection	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total Expenses
Salaries	\$ 710,238	\$ 1,089,307	\$ 839,703	\$ 476,439	\$ 3,115,687	\$ 927,180	\$ 766,858	\$ 1,694,038	\$ 4,809,725
Professional services	1,685,720	922,994	455,937	170,477	3,235,128	339,863	47,266	387,129	3,622,257
Grants	173,501	882,452	502,422	38,663	1,597,038	-	-	-	1,597,038
Other employee benefits	234,014	358,912	276,670	156,981	1,026,577	305,492	252,669	558,161	1,584,738
Rent and occupancy	90,970	121,350	103,370	53,071	368,761	165,921	240,331	406,252	775,013
Travel	70,120	123,819	90,795	48,915	333,649	89,566	15,924	105,490	439,139
Payroll taxes	61,591	94,464	72,818	41,316	270,189	80,404	66,501	146,905	417,094
Printing and publications	16,517	19,083	14,426	8,669	58,695	170,333	2,760	173,093	231,788
Postage and mailing	8,572	9,622	7,297	3,525	29,016	186,702	1,960	188,662	217,678
Conferences and meetings	17,695	23,380	56,385	13,318	110,778	21,800	42,505	64,305	175,083
Retirement plan	23,160	35,521	27,382	15,536	101,599	30,235	25,007	55,242	156,841
Supplies	16,721	17,533	18,692	10,796	63,742	18,504	5,290	23,794	87,536
Legal fees	354	75,314	282	119	76,069	-	1,800	1,800	77,869
Telephone	11,031	12,521	11,557	6,550	41,659	15,662	16,712	32,374	74,033
Depreciation and amortization	7,843	9,768	7,009	3,946	28,566	5,037	10,462	15,499	44,065
Professional fundraising fees	-	-	-	-	-	37,899	-	37,899	37,899
Other	1,597	868	2,127	89	4,681	2,842	30,159	33,001	37,682
Accounting fees	-	-	-	-	-	-	37,050	37,050	37,050
Equipment rental and maintenance	2,881	3,755	3,168	1,492	11,296	5,473	11,559	17,032	28,328
Donated services and materials	-	8,280	-	-	8,280	-	7,975	7,975	16,255
Interest	-	-	-	9	9	-	-	-	9
<b>Total Expenses</b>	<b>\$ 3,132,525</b>	<b>\$ 3,808,943</b>	<b>\$ 2,490,040</b>	<b>\$ 1,049,911</b>	<b>\$ 10,481,419</b>	<b>\$ 2,402,913</b>	<b>\$ 1,582,788</b>	<b>\$ 3,985,701</b>	<b>\$ 14,467,120</b>

See notes to the financial statements.



# American Rivers, Inc.

## Statements of Cash Flows

<b>Year Ended June 30,</b>	<b>2018</b>	<b>2017</b>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (3,215,968)	\$ 7,560,434
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	46,373	44,065
Unrealized gain on investments	(2,796)	(160,460)
Realized gain on sales of investments	(125,491)	(38,622)
Deferred rent	2,751	13,132
Changes in assets and liabilities:		
Accounts receivable - billed	(987,051)	78,937
Accounts receivable - unbilled	(1,136,672)	(436,237)
Grants and pledges receivable	3,104,585	(6,157,606)
Prepaid expenses and other current assets	38,538	77,243
Accounts payable and accrued expenses	2,891,013	432,748
Accrued salaries and related benefits	29,272	19,546
Refundable advances	(316,996)	(103,590)
Charitable gift annuities	(4,809)	16,981
Deposits payable	(7,303)	(14,450)
Net cash provided by operating activities	315,446	1,332,121
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales of investments	114,758	478,238
Purchases of investments	(112,319)	(453,207)
Purchases of property and equipment	(9,990)	(7,628)
Net cash (used in) provided by investing activities	(7,551)	17,403
<b>Net increase in cash and cash equivalents</b>	<b>307,895</b>	<b>1,349,524</b>
Cash and cash equivalents, beginning of year	6,596,291	5,246,767
<b>Cash and cash equivalents, end of year</b>	<b>\$ 6,904,186</b>	<b>\$ 6,596,291</b>
<b>Schedule of Noncash Investing Activities</b>		
Donated securities sold during the year	\$ -	\$ 89,174
Donated investments during the year	\$ 49,803	\$ -

See notes to the financial statements.

**A. AMERICAN RIVERS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

American Rivers: American Rivers, Inc. (American Rivers) protects wild rivers, restores damaged rivers, and conserves clean water for people and nature. Since 1973, American Rivers has protected and restored more than 150,000 miles of rivers through advocacy efforts, on-the-ground projects, and an annual America's *Most Endangered Rivers*® campaign. Headquartered in Washington, DC, American Rivers has offices across the country and more than 275,000 members, supporters, and volunteers.

Through their river conservation work they are ensuring clean drinking water supplies, revitalizing fish and wildlife, improving recreation, and leaving a legacy of healthy rivers for future generations. In 2018 alone, American Rivers worked with local communities to remove 13 dams, restored more than 426 miles of river through dam removal or dam reoperation, granted \$1.49 million to local river conservation projects and removed more than 1.87 million pounds of trash from rivers through National River Cleanup®.

Basis of accounting: American Rivers prepares its financial records on the accrual basis of accounting. Revenue, other than contributions, is recognized when earned and expense when the obligation is incurred.

Net assets: American Rivers is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted: Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for an operating reserve.

Temporarily restricted: Temporarily restricted net assets include those net assets whose use has been restricted by donors either by an implied time restriction or for a specified purpose.

Permanently restricted: Permanently restricted net assets represent funds that are restricted in perpetuity by the donor.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Revenue recognition: Contributions and non-federal grants are recorded as revenue in the year notification is received from the donor. Contributions and non-federal grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions, if applicable, and satisfaction of time restrictions. Contributions and non-federal grants received in excess of expenses incurred are shown as temporarily restricted net assets.

American Rivers reports contributions as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Notes to the Financial Statements

**A. AMERICAN RIVERS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Cash and cash equivalents: American Rivers considers all unrestricted highly liquid investments with an initial maturity of 90 days or less to be cash equivalents. Cash and cash equivalents held by the investment custodian to facilitate investment transactions or for investment are reported as investments in the statements of financial position.

Accounts receivable: American Rivers' accounts receivable consist primarily of progress billings to several state agencies. In addition, there are billings to various corporate sponsors and to other organizations for reimbursable expenditures. These receivables are valued at management's estimate of the amount that will ultimately be collected.

The allowance for doubtful accounts is based on specific identification of uncollectible accounts and American Rivers' historical collection experience. At June 30, 2018 and 2017, management considers all accounts receivable to be fully collectible.

Unbilled amounts represent costs incurred and estimated fees on contracts for which billings have not yet been presented. Typically, invoices are prepared either monthly or quarterly based on the prior month's or quarter's activities. When billed, these amounts are included in the statements of financial position as accounts receivable - billed.

Income taxes: American Rivers is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code (IRC). Unrelated business income related to qualified transit and parking was immaterial to the financial statements for the year-ended June 30, 2018. American Rivers had no unrelated business income tax liability for the year ended June 30, 2017.

Refundable advances: Refundable advances represent funds received from governments and fee for service contracts in advance of incurring qualifying expenditures.

Donated services: In accordance with generally accepted accounting principles, American Rivers recognizes the value of donated services when those services either create or enhance a non-financial asset or require a specialized skill. Donated services consist of professional and other services recognized as support with offsetting expenses in the accompanying statements of activities. Donated services for the years ended June 30, 2018 and 2017 totaled \$2,316 and \$16,255, respectively.

Functional allocation of expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising: American Rivers uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2018 and 2017 was \$22,450 and \$32,201, respectively.

Measure of operations: American Rivers does not include interest and dividends and the unrealized (loss) gain on investments in the change in net assets from operations.

Subsequent events: Subsequent events have been evaluated through October 14, 2018, which is the date the audited financial statements were available to be issued.

Notes to the Financial Statements

**B. CONCENTRATIONS**

Credit risk: American Rivers maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to American Rivers.

Market risk: American Rivers also invests funds in a professionally managed portfolio of fixed income and equity securities. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in these risks could materially affect investment balances and the amounts reported in the financial statements.

**C. INVESTMENTS**

In accordance with generally accepted accounting principles, American Rivers uses the following prioritized input levels to measure fair value of its investments. The input levels used in valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2 – Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

Level 3 – Unobservable inputs which reflect the fund manager's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments valued using Level 1 inputs include mutual funds and exchange-traded funds, the values of which were based on quoted prices for identical assets in active markets. Management believes the estimated fair values on these investments to be a reasonable approximation of their exit price.

Investments recorded at cost include cash and cash equivalents. Investments at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

The estimated fair value of investments measured on a recurring basis are as follows at June 30,:

	2018	2017
Equity exchange-traded funds	\$ 1,527,077	\$ 1,479,328
Equity mutual funds	93,901	81,557
Fixed income exchange-traded funds	425,887	406,053
Fixed income mutual funds	230,074	195,924
Cash and cash equivalents	943,926	932,155
	<u>\$ 3,220,865</u>	<u>\$ 3,095,017</u>

Notes to the Financial Statements

**C. INVESTMENTS - CONTINUED**

Investment income consisted of the following for the years ended June 30,:

	<b>2018</b>	<b>2017</b>
Interest and dividends	\$ 73,043	\$ 48,091
Realized gain on sales of investments	125,491	38,622
Unrealized gain on investments	<u>2,796</u>	<u>160,460</u>
	<b><u>\$ 201,330</u></b>	<b><u>\$ 247,173</u></b>

**D. GRANTS AND PLEDGES RECEIVABLE**

Grants and pledges receivable reflect commitments made to American Rivers by various donors. Grants for which payments are to be received in future years have been discounted to their present value at 2%. Grants and pledges receivable consisted of the following at June 30:

	<b>2018</b>	<b>2017</b>
Receivable in less than one year	\$ 2,100,348	\$ 4,096,719
Receivable in one to five years	<u>3,608,307</u>	<u>4,807,088</u>
	5,708,655	8,903,807
Less: discount to net present value	<u>(82,345)</u>	<u>(172,912)</u>
	<b><u>\$ 5,626,310</u></b>	<b><u>\$ 8,730,895</u></b>

Grants and pledges receivables are valued at management's estimate of the amount that will ultimately be collected. The allowance for doubtful grants and pledges receivable is based on specific identification of uncollectible accounts and American Rivers' historical collection experience. At June 30, 2018 and 2017, management elected not to record an allowance for doubtful grants and pledges receivable as all outstanding amounts were deemed to be collectible.

Notes to the Financial Statements

**E. PROPERTY AND EQUIPMENT**

American Rivers capitalizes all property and equipment with a cost of \$2,500 or more. Property and equipment are recorded at cost and depreciated on the straight-line basis over estimated lives of 3 to 10 years. Amortization of leasehold improvements is provided using the straight-line method of the lesser of the useful lives of the related assets or the term of the lease.

Property and equipment consisted of the following at June 30,:

	<b>2018</b>	<b>2017</b>
Furniture and equipment	\$ 377,559	\$ 425,714
Leasehold improvements	<u>40,869</u>	<u>40,869</u>
	418,428	466,583
Less: accumulated depreciation and amortization	<u>(290,192)</u>	<u>(301,964)</u>
	<b><u>\$ 128,236</u></b>	<b><u>\$ 164,619</u></b>

Depreciation and amortization expense for the years ended June 30, 2018 and 2017 was \$46,373 and \$44,065, respectively.

**F. CHARITABLE GIFT ANNUITIES**

American Rivers is the beneficiary of several charitable gift annuity agreements. American Rivers' interest in these charitable gift annuity agreements is reported as a contribution in the year received at its net present value. Total assets held under these agreements were \$322,122 and \$326,592 at June 30, 2018 and 2017 respectively. The fair values of the assets held in connection to the charitable gift annuities are included in investments on the statements of financial position. The value of the charitable gift annuity liabilities at June 30, 2018 and 2017 was \$154,497 and \$159,306, respectively. The liabilities related to the charitable gift annuities are determined by discounting expected future cash flows using interest rates for instruments with similar terms and maturities (Level 2 inputs).

**G. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets include those net assets whose use has been restricted by the donors for a specific purpose and/or a specified time limitation. Temporarily restricted net assets consisted of the following at June 30,:

	<b>2018</b>	<b>2017</b>
River Restoration	\$ 4,550,413	\$ 5,019,103
Other/Time Restricted	2,837,178	3,423,968
Clean Water Supply	1,511,806	1,861,715
Federal River Management	1,328,979	3,105,420
Endowment Earnings	360,708	289,137
River Protection	320,621	510,847
National River Cleanup	<u>54,031</u>	<u>58,628</u>
	<b><u>\$ 10,963,736</u></b>	<b><u>\$ 14,268,818</u></b>

Notes to the Financial Statements

**G. TEMPORARILY RESTRICTED NET ASSETS – CONTINUED**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes or time limitations specified by the donors:

	2018	2017
Federal River Management	\$ 2,707,426	\$ 2,467,914
Clean Water Supply	2,037,144	2,047,189
River Restoration	1,009,759	814,945
Other/Time Restricted	782,696	726,886
River Protection	761,687	873,004
Endowment Earnings	91,357	87,986
National River Cleanup	90,561	196,126
	<u>\$ 7,480,630</u>	<u>\$ 7,214,050</u>

**H. ENDOWMENT FUNDS**

Permanently restricted net assets include capital campaign endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The donor-restricted endowment funds are classified within permanently restricted net assets and must be maintained in perpetuity.

*Interpretation of Relevant Law*

American Rivers has interpreted the Uniform Prudent Management of Institutional Funds Act of 2007 (UPMIFA), enacted by the District of Columbia, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, American Rivers classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, American Rivers considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

All endowment funds are donor-restricted at June 30, 2018 and 2017.

**H. ENDOWMENT FUNDS - CONTINUED**

*Return Objectives and Risk Parameters*

American Rivers has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. As part of American Rivers' continuing diversification and risk management strategy, a portion of endowment funds are invested in cash, fixed income securities and equity securities. The investment portfolio is intended to produce returns higher than specified market indices while assuming a moderate level of risk.

*Strategies Employed for Achieving Objectives*

To satisfy its long-term objectives, American Rivers relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). American Rivers targets a diversified asset allocation that places more emphasis on fixed income securities and equity securities to achieve its long-term return objectives.

*Spending Policy and How Investment Objectives Relate to Spending Policy*

Under the terms of the Capital Campaign Endowment, based on the Board of Director's investment policy, 5% of the average balance of the endowment for the prior three years will be available for the succeeding year's operations.

*Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor originally contributed as an endowment fund to the American Rivers. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies at June 30, 2018 and 2017, respectively.

During the year ended June 30, 2017, an individual donor's gift endowment was consolidated into the capital campaign endowment fund with the donor's permission in order to improve returns on those funds.



Notes to the Financial Statements

**H. ENDOWMENT FUNDS – CONTINUED**

The changes in endowment funds were as follows for the years ended:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at June 30, 2017	\$ -	\$ 289,174	\$ 1,824,955	\$ 2,114,129
Contributions			1,000	1,000
Investment return				
Interest and dividends		39,505	-	39,505
Net gain on investments		123,386		123,386
	-	452,065	1,825,955	2,278,020
Appropriations		(91,357)	-	(91,357)
Balance at June 30, 2018	<b>\$ -</b>	<b>\$ 360,708</b>	<b>\$ 1,825,955</b>	<b>\$ 2,186,663</b>

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at June 30, 2016	\$ -	\$ 154,461	\$ 1,824,952	\$ 1,979,413
Contributions				-
Investment return				
Interest and dividends		35,927	3	35,930
Net gain on investments		186,772		186,772
	-	377,160	1,824,955	2,202,115
Appropriations		(87,986)	-	(87,986)
Balance at June 30, 2017	<b>\$ -</b>	<b>\$ 289,174</b>	<b>\$ 1,824,955</b>	<b>\$ 2,114,129</b>

**I. RETIREMENT PLAN**

American Rivers sponsors a Section 403(b) tax-deferred annuity plan covering all employees. The plan participants are 100% vested upon entering the plan. Employees may participate in the plan immediately upon employment and become eligible for employer contributions after completing one full year of service. Under the terms of the plan, American Rivers makes quarterly contributions of three percent of each participant's quarterly compensation, and may also contribute up to an additional two percent of compensation based on the level of an employee's voluntary contribution, if any. Contributions by American Rivers to the plan totaled \$155,665 and \$156,841 for the years ended June 30, 2018 and 2017, respectively.

**J. COMMITMENTS AND CONTINGENCIES**

Office space: American Rivers occupies office space in Washington, D.C. under an operating lease originally expiring on January 31, 2016. During January 2015, the lease was renegotiated extending the lease term to October 31, 2026. The lease includes periods of rent abatement and escalating rent payments. In addition to base rent, American Rivers is responsible for its proportionate share of the building's operating expenses. American Rivers recognizes the total rent commitment on a straight-line basis over the term of the lease. The difference between the monthly payment and the rent expense recognized for financial statement purposes is recognized as a deferred rent liability in the financial statements. American Rivers also leases office space at other locations, as well as storage space and miscellaneous furnishings and equipment under various non-cancellable operating leases. Additionally, other office space for certain field offices is leased under month-to-month agreements. Total rent expense amounted to \$721,134 and \$708,123 for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease payments under the office leases are as follows:

Year Ending June 30,	Amount
2019	\$ 630,683
2020	584,549
2021	527,582
2022	510,543
Thereafter	<u>2,331,620</u>
	<b><u>\$ 4,584,977</u></b>

Federal awards: American Rivers participates in several federal awards which are subject to financial and compliance audits by federal agencies or their representatives. Therefore, a contingent liability may exist for potential questioned costs that would result from such audits. However, management does not anticipate significant adjustments if such audits were to occur.

Line of credit: American Rivers has a line of credit with a bank in the amount of \$750,000 which is renewable annually and collateralized by all property, equipment, inventory and receivables of American Rivers. Interest accrues at the bank's prime rate plus 1.75% per annum. There were no outstanding borrowings and no drawdowns on the line of credit as of and for the years ended June 30, 2018 and 2017.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Federal Agency Cluster Pass Through Grantor Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Awards to Subrecipients
<b>U.S. Department of Agriculture</b>			
Collaboration on Prioritization of Dam Removals on National Forest System Lands (U.S. Forest Service)	N/A	\$ 13,254	\$ 3,239
Upper Citico Creek Dam Removal Project	N/A	16,725	
Soil and Water Conservation	10.902	11,060	
Environmental Quality Incentives Program (Natural Resources Conservation Service)	10.912	138,291	14,288
<i>National Fish and Wildlife Foundation:</i>			
Critical Next Steps: Amplifying Capacity and Investment (CA)	10.683	6,064	-
Faith Valley Meadow Restoration (CA)	10.683	8,980	7,675
Lassen NF Pine Creek	N/A	4,324	
Restoring Wilderness Meadows in Sequoia and Kings Canyon National Parks	N/A	15,469	-
<b>Total U.S. Department of Agriculture</b>		214,167	25,202
<b>U.S. Department of Commerce</b>			
Habitat Conservation (National Oceanic and Atmospheric Administration)	11.463	3,852,163	-
<b>U.S. Department of the Interior</b>			
Hurricane Sandy Disaster Relief-Coastal Resiliency Grants	15.153	1,874,136	-
Fish and Wildlife Management Assistance	15.608	8,136	
Partners for Fish and Wildlife (U.S. Fish and Wildlife Service)	15.631	58,889	48,915
Fish and Wildlife Coordination Assistance (U.S. Fish and Wildlife Service)	15.664	1,022	-
Hurricane Sandy Disaster Relief Activities-FWS	15.677	1,438,242	-
National Park Service Conservation, Protection, Outreach, and Education (National Park Service)	15.921	6,483	-
<i>National Fish and Wildlife Foundation:</i>			
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508	55,706	24,520
Upper Flint	15.663	4,620	-
Fish Barrier	15.663	13,469	-
Faith Valley Meadow Restoration	15.663	47,507	5,088
<b>Total U.S. Department of the Interior</b>		3,508,210	78,523
<b>U.S. Environmental Protection Agency</b>			
<i>National Fish and Wildlife Foundation:</i>			
Chesapeake Bay Program	66.466	39,017	-
<i>Chesapeake Bay Trust:</i>			
Chesapeake Bay Program	66.466	13,055	-
<i>U.S. Endowment for Forestry and Communications</i>			
Healthy Watersheds Consortium Grant Program	66.441	34,000	-
<b>Total U.S. Environmental Protection Agency</b>		86,072	-
<b>U.S. Department of Transportation</b>			
Highway Planning and Construction Cluster:			
<i>Pennsylvania Fish and Boat Commission:</i>			
Highway Planning and Construction	20.205	175,059	-
<b>Total Expenditures of Federal Awards</b>		\$ 7,835,671	\$ 103,725

See notes to the schedule expenditures of federal awards.

Notes to the Schedule of Expenditures of Federal Awards

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**A. BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards includes the Federal program activity of American Rivers for the year ended June 30, 2018. The information in the Schedule of Expenditures of Federal Awards is presented in accordance with the 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). Because the Schedule of Expenditures of Federal Awards presents only a selected portion of the operations of American Rivers, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of American Rivers.

**B. EXPENDITURES AND INDIRECT COSTS**

Expenditures: The accompanying Schedule of Expenditures of Federal Awards summarizes costs of Federal programs using the accrual basis of accounting.

For new awards and modifications of existing awards after December 26, 2014, the expenditures reported in the Schedule of Expenditures of Federal Awards follow cost principles contained in the Uniform Guidance. For existing awards prior to December 26, 2014, the expenditures follow the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*. The cost principles indicate certain types of expenditure that are not allowable or allowable costs that are limited as to reimbursement.

Indirect cost allocation: American Rivers allocates indirect costs to Federal Awards based on an approved rate that has been established directly with the U.S. Department of Commerce. The approved rate in effect for the year ended June 30, 2018 was 17.00%. American Rivers elected not to use the 10% de minimis indirect cost rate.



# 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*

To the Board of Directors  
American Rivers, Inc.

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 American Rivers, Inc. (American Rivers) (a non-profit organization), which comprise the statement of financial position as of June 30, 2018, 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 October 14, 2018.

## Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered American Rivers’ 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 American Rivers’ internal control. Accordingly, we do not express an opinion on the effectiveness of American Rivers’ 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 American Rivers’ 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.

## Compliance and Other Matters

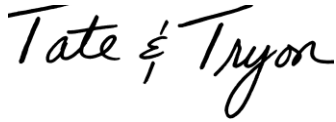
As part of obtaining reasonable assurance about whether American Rivers’ financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

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To the Board of Directors  
October 14, 2018  
Page 2 of 2

**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 American Rivers' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering American Rivers' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Tate & Tryon". The signature is written in a cursive, flowing style.

Washington, DC  
October 14, 2018



# Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors  
American Rivers, Inc.

## Report on Compliance for the Major Federal Program

We have audited American Rivers’ compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of American Rivers’ major federal programs for the year ended June 30, 2018. American Rivers’ major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

### Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for American Rivers’ major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about American Rivers’ compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of American Rivers’ compliance.

### Opinion on Each Major Program

In our opinion, American Rivers complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

### Report on Internal Control over Compliance

Management of American Rivers is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered American Rivers’ internal control over compliance with types of compliance requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of American Rivers’ internal control over compliance.

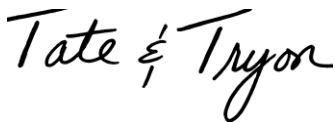
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of American Rivers as of and for the year ended June 30, 2018, and have issued our report thereon dated October 14, 2018, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance 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 basic 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 taken as a whole.

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.



Washington, DC  
October 14, 2018



Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

**Section I – Summary of Audit Results**

***Financial Statements***

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

***Federal Awards***

Internal control over the major program:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported

Type of auditor's report issued on compliance for the major program:

Unmodified

Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a)?

Yes  No

Identification of major program:

Awarding Agency and Program

Contract/CFDA #

Hurricane Sandy Disaster Relief - Coastal Resiliency Grants

15.153

Hurricane Sandy Disaster Relief Activities – Fish and Wildlife Service

15.677

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes  No

**Schedule of Findings and Questioned Costs**

***Year Ended June 30, 2018***

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**Section II – Findings Related to the Financial Statements**

No matters were reported.

**Section III – Findings and Questioned Costs Related to Federal Awards**

No matters were reported.

**Section IV – Prior Year Audit Findings**

No matters were reported.