

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

AMERICAN RIVERS, INC.

June 30, 2019

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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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of Accounting Standards Update 2016-14

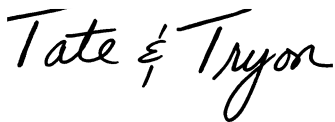
As described in Note A to the consolidated financial statements, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). As required by the FASB, American Rivers adopted the provisions of ASU 2016-14 during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the consolidated financial statements, new disclosures were added regarding liquidity and the availability of resources. There was no change in American Rivers' previously reported change in net assets as a result of the adoption of the ASU. Our opinion is not modified with respect to this matter.

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 is presented for purposes of additional analysis as required by the audit 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) 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 January 20, 2020 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
January 20, 2020

American Rivers, Inc.

Statements of Financial Position

<i>June 30,</i>	2019	2018
Assets		
Cash and cash equivalents	\$ 4,236,904	\$ 6,904,186
Investments	3,218,676	3,220,865
Accounts receivable, net		
Billed	557,682	1,370,741
Unbilled	2,538,001	2,266,183
Grants and pledges receivable, net	6,312,189	5,626,310
Prepaid expenses and other current assets	254,344	249,722
Property and equipment, net	87,551	128,236
Total assets	\$ 17,205,347	\$ 19,766,243
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 2,468,464	\$ 3,925,095
Accrued salaries and related benefits	516,024	545,107
Refundable advances	614,720	539,824
Charitable gift annuities	170,539	154,497
Deferred rent	462,863	471,253
Deposits payable	10,425	3,063
Total liabilities	4,243,035	5,638,839
Net assets		
Without donor restrictions		
Undesignated	103,945	463,205
Board-designated - reserve fund	892,872	874,508
Total net assets without donor restrictions	996,817	1,337,713
With donor restrictions - Notes G and H	11,965,495	12,789,691
Total net assets	12,962,312	14,127,404
Total liabilities and net assets	\$ 17,205,347	\$ 19,766,243

See notes to the financial statements.

American Rivers, Inc.

Statements of Activities

Year ended June 30,	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support						
State and local grants	7,360,508	\$ 500	\$ 7,361,008	\$ 5,166,101	\$ 5,000	\$ 5,171,101
Foundation grants	551,464	6,515,514	7,066,978	750,686	3,050,795	3,801,481
Federal grants	2,966,662		2,966,662	7,835,671		7,835,671
Contributions	2,179,300	557,902	2,737,202	2,144,062	575,123	2,719,185
Membership	1,013,370		1,013,370	1,081,254		1,081,254
Other	226,811	416,000	642,811	1,272,988	272,564	1,545,552
Program service contracts	489,869		489,869	433,091		433,091
Corporate donations	284,232	175,755	459,987	226,305	110,175	336,480
Realized gain on sales of investments	4,222	34,880	39,102	7,884	117,607	125,491
	15,076,438	7,700,551	22,776,989	18,918,042	4,131,264	23,049,306
Net assets released from restrictions	8,607,984	(8,607,984)	-	7,480,630	(7,480,630)	-
Total revenue, gains and other support	23,684,422	(907,433)	22,776,989	26,398,672	(3,349,366)	23,049,306
Expense						
Program services:						
River Restoration	13,066,974		13,066,974	14,735,950		14,735,950
Federal River Management	3,715,382		3,715,382	3,989,286		3,989,286
Clean Water Supply	1,923,977		1,923,977	2,464,313		2,464,313
River Protection	738,725		738,725	824,518		824,518
Total program expenses	19,445,058	-	19,445,058	22,014,067	-	22,014,067
Supporting services:						
Fundraising	2,703,911		2,703,911	2,496,087		2,496,087
Management and general	1,895,423		1,895,423	1,817,487		1,817,487
Total supporting expenses	4,599,334	-	4,599,334	4,313,574	-	4,313,574
Total expense	24,044,392	-	24,044,392	26,327,641	-	26,327,641
Change in net assets before other items	(359,970)	(907,433)	(1,267,403)	71,031	(3,349,366)	(3,278,335)
Other Items						
Interest and dividends, net of fees	47,066	44,026	91,092	33,538	39,505	73,043
Unrealized gain (loss) on investments	6,331	39,211	45,542	(2,983)	5,779	2,796
Change in value of charitable gift annuities	(34,323)		(34,323)	(13,472)		(13,472)
Change in net assets	(340,896)	(824,196)	(1,165,092)	88,114	(3,304,082)	(3,215,968)
Net assets, beginning of year	1,337,713	12,789,691	14,127,404	1,249,599	16,093,773	17,343,372
Net assets, end of year	\$ 996,817	\$ 11,965,495	\$ 12,962,312	\$ 1,337,713	\$ 12,789,691	\$ 14,127,404

See notes to the financial statements.

American Rivers, Inc.

Statement of Functional Expenses

For the Year ended June 30, 2019

	Program Services				Supporting Services			Total Supporting Services	Total Expenses
	River Restoration	Federal River Management	Clean Water Supply	River Protection	Total Program Services	Fundraising	Management and General		
Professional services	\$ 10,756,976	\$ 890,742	\$ 228,126	\$ 73,349	\$ 11,949,193	\$ 340,995	\$ 106,111	\$ 447,106	\$ 12,396,299
Salaries	1,124,623	1,004,787	660,613	379,550	3,169,573	1,062,647	908,669	1,971,316	5,140,889
Other employee benefits	381,767	341,087	224,253	128,835	1,075,942	360,729	308,459	669,188	1,745,130
Grants	218,031	991,436	513,930	4,038	1,727,435	-	-	-	1,727,435
Rent and occupancy	145,515	83,140	70,173	22,471	321,299	159,309	262,629	421,938	743,237
Travel	131,946	125,527	82,556	41,406	381,435	56,152	25,117	81,269	462,704
Payroll taxes	98,460	87,969	57,836	33,227	277,492	93,034	79,554	172,588	450,080
Printing and publications	40,443	13,072	13,183	12,566	79,264	213,237	9,517	222,754	302,018
Postage and mailing	6,044	3,009	1,066	1,126	11,245	206,206	2,217	208,423	219,668
Conferences and meetings	48,100	45,092	26,087	14,357	133,636	53,378	22,205	75,583	209,219
Retirement plan	34,783	31,077	20,432	11,738	98,030	32,866	28,104	60,970	159,000
Supplies	23,548	10,141	5,286	7,431	46,406	61,173	16,827	78,000	124,406
Legal fees	6,184	65,081	3,410	350	75,025	-	1,550	1,550	76,575
Telecommunications	16,463	10,871	7,562	2,581	37,477	18,436	18,435	36,871	74,348
Other	11,746	2,893	2,455	1,773	18,867	7,495	33,466	40,961	59,828
Depreciation and amortization	16,794	5,882	3,830	3,208	29,714	4,624	6,347	10,971	40,685
Accounting fees	-	-	-	-	-	-	39,337	39,337	39,337
Equipment rental and maintenance	5,551	3,576	3,179	719	13,025	7,245	15,083	22,328	35,353
Professional fundraising fees	-	-	-	-	-	26,240	-	26,240	26,240
Donated services and materials	-	-	-	-	-	-	11,539	11,539	11,539
Interest	-	-	-	-	-	145	257	402	402
Total Expenses	\$ 13,066,974	\$ 3,715,382	\$ 1,923,977	\$ 738,725	\$ 19,445,058	\$ 2,703,911	\$ 1,895,423	\$ 4,599,334	\$ 24,044,392

See notes to the financial statements.

American Rivers, Inc.

Statement of Functional Expenses

For the Year ended June 30, 2018

	Program Services				Supporting Services			Total Supporting Services	Total Expenses
	River Restoration	Federal River Management	Clean Water Supply	River Protection	Total Program Services	Fundraising	Management and General		
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
Telecommunications	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
Total Expenses	\$ 14,735,950	\$ 3,989,286	\$ 2,464,313	\$ 824,518	\$ 22,014,067	\$ 2,496,087	\$ 1,817,487	\$ 4,313,574	\$ 26,327,641

See notes to the financial statements.

American Rivers, Inc.

Statements of Cash Flows

Year Ended June 30,	2019	2018
Cash Flows From Operating Activities		
Change in net assets	\$ (1,165,092)	\$ (3,215,968)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	40,685	46,373
Unrealized gain on investments	(45,542)	(2,796)
Realized gain on sales of investments	(39,102)	(125,491)
Change in value of charitable gift annuities	34,323	13,472
Donated investments	-	(49,803)
Changes in assets and liabilities:		
Accounts receivable - billed	813,059	(987,051)
Accounts receivable - unbilled	(271,818)	(1,136,672)
Grants and pledges receivable	(685,879)	3,104,585
Prepaid expenses and other current assets	(4,622)	38,538
Accounts payable and accrued expenses	(1,456,631)	2,891,013
Accrued salaries and related benefits	(29,083)	29,272
Refundable advances	74,896	(316,996)
Charitable gift annuities	(18,281)	(18,281)
Deferred rent	(8,390)	2,751
Deposits payable	7,362	(7,303)
Net cash (used in) provided by operating activities	(2,754,115)	265,643
Cash Flows From Investing Activities		
Proceeds from sales of investments	259,843	114,758
Purchases of investments	(173,010)	(62,516)
Purchases of property and equipment	-	(9,990)
Net cash provided by (used in) investing activities	86,833	42,252
Net (decrease) increase in cash and cash equivalents	(2,667,282)	307,895
Cash and cash equivalents, beginning of year	6,904,186	6,596,291
Cash and cash equivalents, end of year	\$ 4,236,904	\$ 6,904,186

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 2019 alone, American Rivers worked with local communities to remove 11 dams, restored more than 286 miles of river through dam removal or dam reoperation, and removed more than 2.7 million pounds of trash from waterways 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 the following classes of net assets:

Without donor restrictions: Net assets without donor restrictions 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. Board-designated net assets without donor restrictions consist of net assets designated by the Board of Directors for an operating reserve.

With donor restrictions: Net assets with donor restrictions include those net assets whose use is subject to donor restrictions. Donor restrictions may be for a specified time or purpose limitation or the donor may specify that the corpus of their original and certain subsequent gifts be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 support without donor restrictions 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 net assets with donor restrictions.

American Rivers reports contributions as support with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2019 and 2018, 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, 2019. American Rivers had no unrelated business income tax liability for the year ended June 30, 2018.

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, 2019 and 2018 totaled \$11,539 and \$2,316, 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. Expenses that can be identified with a specific program or support service (management and fundraising) are charged directly to that program or support service. Costs that are common to multiple functions are allocated to those functions using a reasonable allocation method as described as follows. Salaries are allocated based on electronic timecards which are completed by all employees. Benefits include paid leave, health insurance, and payroll taxes and are allocated on a budgeted rate based on salaries. Occupancy costs are costs associated with offices that share expenses among multiple programs and include items such as rent, utilities, supplies, equipment leases, and maintenance. Occupancy is allocated by location at a budgeted rate and is based on salaries. IT Services include the contract costs of outside IT support services. IT services are allocated based on timecard hours charged at a budgeted hourly rate. Overhead consists of the general and administrative expenses associated with the management of the entire organization. Overhead is allocated based on modified total direct costs which exclude donated services and contract and grant amounts in excess of \$25,000. Allocation rates are evaluated and adjusted on an annual basis as part of the budgeting process.

Notes to the Financial Statements

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

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, 2019 and 2018 was \$27,283 and \$22,450, respectively.

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

New accounting standard: The Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). American Rivers adopted the provisions of ASU 2016-14 during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources. There was no change in American Rivers' previously reported changes in net assets as a result of the adoption of ASU 2016-14.

Subsequent events: Subsequent events have been evaluated through January 20, 2020, which is the date the audited financial statements were available to be issued.

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.

Notes to the Financial Statements

C. INVESTMENTS - CONTINUED

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,:

	2019	2018
Equity exchange-traded funds	\$ 1,509,713	\$ 1,527,077
Equity mutual funds	83,930	93,901
Fixed income exchange-traded funds	422,363	425,887
Fixed income mutual funds	194,819	230,074
Cash and cash equivalents	<u>1,007,851</u>	<u>943,926</u>
	<u>\$ 3,218,676</u>	<u>\$ 3,220,865</u>

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 two percent (2%). Grants and pledges receivable consisted of the following at June 30:

	2019	2018
Receivable in less than one year	\$ 5,426,792	\$ 2,100,348
Receivable in one to five years	<u>909,691</u>	<u>3,608,307</u>
	6,336,483	5,708,655
Less: discount to net present value	<u>(24,294)</u>	<u>(82,345)</u>
	<u>\$ 6,312,189</u>	<u>\$ 5,626,310</u>

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, 2019 and 2018, 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,:

	2019	2018
Furniture and equipment	\$ 377,559	\$ 377,559
Leasehold improvements	<u>40,869</u>	<u>40,869</u>
	418,428	418,428
Less: accumulated depreciation and amortization	<u>(330,877)</u>	<u>(290,192)</u>
	<u>\$ 87,551</u>	<u>\$ 128,236</u>

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 was \$40,685 and \$46,373, 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 \$324,208 and \$322,122 at June 30, 2019 and 2018, 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, 2019 and 2018 was \$170,539 and \$154,497, 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 when they were initially received over the estimated remaining life expectancy of the identified beneficiaries.

G. NET ASSETS WITH DONOR RESTRICTIONS

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

	2019	2018
River Restoration	\$ 3,246,713	\$ 4,550,413
Federal River Management	2,707,929	1,328,979
Other/Time Restricted	2,421,041	2,837,178
Endowment fund	2,213,963	2,186,663
Clean Water Supply	874,671	1,511,806
River Protection	465,400	320,621
National River Cleanup	<u>35,778</u>	<u>54,031</u>
	<u>\$ 11,965,495</u>	<u>\$ 12,789,691</u>

Notes to the Financial Statements

G. NET ASSETS WITH DONOR RESTRICTIONS - CONTINUED

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

	2019	2018
Federal River Management	\$ 2,669,492	\$ 2,707,426
River Restoration	2,175,300	1,009,759
Clean Water Supply	1,902,135	2,037,144
Other/Time Restricted	908,424	782,696
River Protection	765,563	761,687
National River Cleanup	94,253	90,561
Endowment fund appropriations	92,817	91,357
	<u>\$ 8,607,984</u>	<u>\$ 7,480,630</u>

H. ENDOWMENT FUNDS

Net assets with donor restrictions whose restrictions are perpetual in nature 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 net assets with donor restrictions 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 net assets with donor restrictions (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.

American Rivers has a donor-restricted Capital Campaign Endowment with net assets of \$2,213,963 and \$2,186,663 as of June 30, 2019 and 2018, respectively. American Rivers also has a Board-designated operating reserve, which is considered a quasi-endowment and which had a net asset balance of \$892,872 and \$874,508 as of June 30, 2019 and 2018.

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

The spending policy for the board-designated reserve fund allows for a maximum of three percent (3%) of the average balance of the fund for the prior three years to be used for general expenditures. The board determines the spending limit of these reserves on an annual basis. Principle withdrawals over the 3% limit are permitted for unusual or extraordinary expenses with prior board approval.

In addition, under the terms of the Capital Campaign Endowment, based on the Board of Director's investment policy, a maximum of five percent (5%) of the average balance of the donor-restricted endowment fund for the prior three years may be made available for general expenditures. The board determines the spending limit on an annual basis. Only the earnings on the fund are available since the principle must remain intact.

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. There were no such deficiencies at June 30, 2019 and 2018, respectively.

Notes to the Financial Statements

H. ENDOWMENT FUNDS - CONTINUED

The changes in endowment funds were as follows for the years ended June 30, 2019 and 2018:

	With Donor Restrictions			
	Without Donor Restrictions	Accumulated Earnings	Perpetual in Nature	Total
Balance at June 30, 2018	\$ 874,508	\$ 360,708	\$ 1,825,955	\$ 3,061,171
Contributions			2,000	2,000
Investment return, net of fees	18,364	118,117		
	892,872	478,825	1,827,955	3,063,171
Appropriations	-	(92,817)	-	(92,817)
Balance at June 30, 2019	\$ 892,872	\$ 386,008	\$ 1,827,955	\$ 2,970,354

	With Donor Restrictions			
	Without Donor Restrictions	Accumulated Earnings	Perpetual in Nature	Total
Balance at June 30, 2017	\$ 864,639	\$ 289,174	\$ 1,824,955	\$ 2,978,768
Contributions			1,000	1,000
Investment return, net of fees	9,869	162,891	-	172,760
	874,508	452,065	1,825,955	3,152,528
Appropriations	-	(91,357)	-	(91,357)
Balance at June 30, 2018	\$ 874,508	\$ 360,708	\$ 1,825,955	\$ 3,061,171

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 (3%) of each participant's quarterly compensation and may also contribute up to an additional two percent (2%) of compensation based on the level of an employee's voluntary contribution, if any. Contributions by American Rivers to the plan totaled \$159,000 and \$155,665 for the years ended June 30, 2019 and 2018, respectively.

Notes to the Financial Statements

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 \$672,161 and \$721,134 for the years ended June 30, 2019 and 2018, respectively.

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

Year Ending June 30,	Amount
2020	\$ 612,124
2021	539,157
2022	512,943
2023	518,452
2024	530,102
Thereafter	<u>1,283,066</u>
	<u>\$ 3,995,844</u>

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, 2019 and 2018, respectively.

Notes to the Financial Statements

K. LIQUIDITY AND AVAILABILITY

The following represents American Rivers' financial assets as of June 30, 2019, reduced by amounts not available for general use within one year due to contractual or donor-imposed restrictions:

Financial assets	
Cash and cash equivalents	\$ 4,236,904
Investments	3,218,676
Accounts receivable	3,095,683
Grants and pledges receivable, net	<u>6,312,189</u>
Subtotal financial assets	16,863,452
Less: financial assets not available for general expenditure within one year	
Donor-restricted net assets, excluding time-restricted net assets due within one year of \$275,000	(11,690,495)
Split-interest agreements	(170,539)
Board-designated - reserve fund	<u>(892,872)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 4,109,546</u>

The board-designated quasi-endowment reserve fund and the donor-restricted endowment fund may be made available for general expenditures under the provisions of their respective spending policies, which are disclosed in Note H.

As part of American Rivers' liquidity management, it maintains its financial assets so that they are available to meet general expenditures, liabilities, and other obligations as they become due. Excess cash is invested in short-term vehicles. The organization also has a line of credit with a bank in the amount of \$750,000 to cover short-term cash needs.

American Rivers, Inc.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Agency Cluster <i>Pass Through Grantor</i> Program or Cluster Title	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures	Awards to Subrecipients
U.S. Department of Agriculture				
Environmental Quality Incentives Program	10.912	N/A	326,708	40,171
<i>United States Endowment for Forestry and Communities:</i>				
Soil and Water Conservation	10.902	68-3A75-16-1174	\$ 25,119	\$ -
<i>National Fish and Wildlife Foundation:</i>				
National Fish and Wildlife Foundation	10.683	0103.15.046703, 0103.16.051199, 0103.17.055357, P1696029	68,121	5,806
Lassen NF Pine Creek	N/A	17-CS-11050600-027	3,722	-
Total U.S. Department of Agriculture			423,670	45,977
U.S. Department of Commerce				
Habitat Conservation (National Oceanic and Atmospheric Administration)	11.463	N/A	1,467,647	-
U.S. Department of the Interior				
Fish and Wildlife Management Assistance	15.608	N/A	99,986	-
Coastal	15.630	N/A	50,000	-
Partners for Fish and Wildlife (U.S. Fish and Wildlife Service)	15.631	N/A	6,027	5,120
Hurricane Sandy Disaster Relief Activities-FWS	15.677	N/A	319,320	-
Rivers, Trails and Conservation Assistance	15.921	N/A	4,673	-
<i>National Fish and Wildlife Foundation:</i>				
Hurricane Sandy Disaster Relief-Coastal Resiliency Grants	15.153	2300.14.043834	554,825	-
NFWF-USFWS Conservation Partnership	15.663	0103.16.051199, 405.15.049744, 1906.17.058630	4,514	1,628
Total U.S. Department of the Interior			1,039,345	6,748
U.S. Environmental Protection Agency				
<i>National Fish and Wildlife Foundation:</i>				
Chesapeake Bay Program	66.466	0603.16.053871	36,000	10,500
Total Expenditures of Federal Awards			\$ 2,966,662	\$ 63,225

See notes to the schedule expenditures of federal awards.

Notes to the Schedule of Expenditures of Federal Awards

A. BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the Federal program activity of American Rivers, Inc. for the year ended June 30, 2019. 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, 2019 was 18.00%. 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, 2019, 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 January 20, 2020.

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.

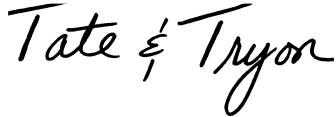
Compliance and Other Matters

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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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
January 20, 2020



Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with 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 program for the year ended June 30, 2019. American Rivers’ major federal program is 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 program.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of 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 (CFR) 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, 2019.

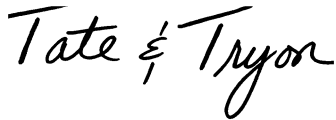
Report on Internal Control over Compliance

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.

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
January 20, 2020

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

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 #

U.S. Department of Commerce
Habitat Conservation (NOAA)

11.463

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, 2019

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.