

River Network

Financial Statements and Other Information
as of and for the Year Ended September 30, 2009 and
Report of Independent Accountants

RIVER NETWORK

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REPORT OF INDEPENDENT ACCOUNTANTS

*The Board of Directors
River Network:*

We have audited the accompanying statement of financial position of River Network as of September 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of River Network's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of River Network as of September 30, 2008 and, in our report dated January 16, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of River Network's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2009 financial statements referred to above present fairly, in all material respects, the financial position of River Network as of September 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included on page 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, which also is the responsibility of management, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



February 24, 2010

RIVER NETWORK

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2009

(WITH COMPARATIVE AMOUNTS FOR 2008)

	2009	2008
Assets:		
Cash and cash equivalents	\$ 208,473	205,721
Accounts receivable <i>(note 4)</i>	70,664	75,064
Grants and contributions receivable <i>(note 5)</i>	340,000	456,196
Prepaid expenses	26,220	15,864
Other long-term assets <i>(note 6)</i>	12,140	6,240
Investments <i>(note 7)</i>	367,587	350,762
Furniture and equipment <i>(note 8)</i>	-	-
Total assets	\$ 1,025,084	1,109,847
Liabilities:		
Accounts payable and accrued expenses	34,652	35,575
Accrued payroll and related expenses	34,343	51,237
Deferred revenue	-	8,855
Total liabilities	68,995	95,667
Net assets:		
Unrestricted:		
Available for general operations	(110,545)	(159,549)
Board designated reserve fund <i>(note 10)</i>	359,151	343,903
Total unrestricted	248,606	184,354
Temporarily restricted <i>(note 10)</i>	707,483	829,826
Total net assets	956,089	1,014,180
Commitments and contingencies <i>(notes 9, 13, 14, 15, and 16)</i>		
Total liabilities and net assets	\$ 1,025,084	1,109,847

See accompanying notes to financial statements.

RIVER NETWORK

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

	2009			2008
	Unrestricted	Temporarily restricted	Total	
Revenues, gains and other support:				
Foundation contributions and grants	\$ 218,589	562,000	780,589	1,057,866
Corporate contributions and grants	87,263	239,000	326,263	352,887
Individual and Board contributions	301,248	35,000	336,248	154,849
Government grants	–	385,101	385,101	331,345
In-kind contributions	9,358	–	9,358	9,751
Annual River Rally registration fees and sales	167,107	–	167,107	150,658
Partner fees	31,190	–	31,190	29,925
Management and consulting fees	127,508	–	127,508	116,623
Interest income	7,407	–	7,407	6,337
Net appreciation (decline) in the fair value of investments	7,586	–	7,586	(40,090)
Other	6,334	–	6,334	5,709
Total revenues and gains	963,590	1,221,101	2,184,691	2,175,860
Net assets released from restriction (<i>note 11</i>)	1,343,444	(1,343,444)	–	–
Total revenues, gains and other support	2,307,034	(122,343)	2,184,691	2,175,860
Expenses (<i>note 12</i>):				
Program services	1,633,511	–	1,633,511	1,453,233
Supporting services:				
Management and general	347,098	–	347,098	267,685
Fundraising	262,173	–	262,173	183,419
Total supporting services	609,271	–	609,271	451,104
Total expenses	2,242,782	–	2,242,782	1,904,337
Increase (decrease) in net assets	64,252	(122,343)	(58,091)	271,523
Net assets at beginning of year	184,354	829,826	1,014,180	742,657
Net assets at end of year	\$ 248,606	707,483	956,089	1,014,180

See accompanying notes to financial statements.

RIVER NETWORK

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

	2009	2008
Cash flows from operating activities:		
Cash received from contributors, grantors, contractors and others	\$ 2,237,086	2,222,384
Cash received from interest	7,407	6,337
Cash paid to suppliers, employees and others	(2,266,290)	(1,897,255)
Cash paid for interest	(1,207)	(1,337)
Net cash provided by (used in) operating activities	(23,004)	330,129
Cash flows from investing activities:		
Proceeds from the sale of investments	34,759	5,460
Purchases of investments	(9,003)	(113,974)
Net cash provided by (used in) investing activities	25,756	(108,514)
Cash flows from financing activities:		
Net payments made on line of credit	-	(50,000)
Net cash used in financing activities	-	(50,000)
Net increase in cash and cash equivalents	2,752	171,615
Cash and cash equivalents at beginning of year	205,721	34,106
Cash and cash equivalents at end of year	\$ 208,473	205,721

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2009

1. Organization

River Network's mission is to empower and unite people and communities to protect and restore rivers and other waters that sustain the health of our country.

Founded in 1988, the organization leads a national watershed protection movement that includes nearly 5,000 state, regional and local grassroots organizations, including more than 600 dues-paying River Network "Partner" organizations. River Network's 20-person staff is headquartered in Portland, Oregon, with field offices in Vermont, Maryland, North Carolina, Utah and Idaho.

The organization envisions a future when every person knows their watershed and is an active caretaker of their local, river, lake, stream or bay. The organization works for a day when all people have access to clean, plentiful water.

Making this vision a reality hinges on River Network's thousands of national, state, and local partners working together to meet the following four goals:

- A vibrant grassroots movement of citizens, organizations and decision-makers that has the capacity to protect the long-term health of rivers and communities.
- Clean, flowing rivers supporting rich habitat for a diversity of fish, birds and wildlife both in the water and on the land.
- Healthy river systems free of pollution which provide clean water for everyone to sustain our health, ensure enjoyment of rivers, and stop environmental injustice.
- Impacts of climate change which are reduced and river health improved by more effective and efficient use of water and energy.

River Network advances its work with an unwavering focus on four core principles. We:

- Lead our network by listening to and empowering our partners;
- Advance bottom up and top down connections between grassroots advocates and national leaders;
- Work across political jurisdictions to focus on nature's boundaries and hydrologic cycle;
- Use sound science to inform model political, social, economic and environmental decisions that can be replicated for larger impact; and
- Amplify the political power of local grassroots groups and alliances for collective action.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by River Network are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Basis of Presentation – River Network has adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) No. 958-605, *Revenue Recognition*, and FASB ASC No. 958-205, *Presentation of Financial Statements*. Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the organization and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the organization and/or the passage of time.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions – Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Pledges are reported net of an allowance for uncollectible amounts and a discount to the present value of the future cash flows. The allowance is provided based upon management’s judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

In-Kind Contributions – River Network reports as revenue the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated. In-kind contributions of land, equipment and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of River Network’s activities. During the year ended September 30, 2009, River Network recorded \$3,458 in donated travel expenses, and \$5,900 in donated land.

Cash Equivalents – For purposes of the financial statements, River Network considers all liquid investments having initial maturities of three months or less to be cash equivalents.

Investments – Investments are carried at fair market value. Net appreciation (decline) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (decline) of those investments, is reported in the statement of activities. Interest income is accrued as earned, and reported net of investment advisory fees totaling \$3,303 for year ended September 30, 2009. Security transactions are recorded on a trade date basis.

River Network has some exposure to investment risks, including interest rate, market, and credit risks for both marketable and non-marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the accompanying financial statements.

Capital Assets and Depreciation – Generally, furniture and equipment in excess of \$5,000 are capitalized, and reported at cost when purchased and at fair market value when acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which is generally five years.

Revenue Recognition – All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Service revenues are recognized at the time services are provided and the revenues are earned.

Grants Awarded – Grants are accrued when awarded by the organization and unconditional. Grants are provided from available resources and in accordance with restrictions imposed by donors.

Concentrations of Credit Risk – The organization's investments consist primarily of money market funds, corporate and U.S. government bonds, equity securities, and mutual funds. These financial instruments may subject the organization to concentrations of credit risk as, from time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation, the market value of securities are dependent on the ability of the issuer to honor its contractual commitments, and investments are subject to changes in market values.

Certain receivables also may subject the organization to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, the organization's management evaluates the financial condition of its customers and donors, and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics. When necessary, receivables are reported net of an allowance for uncollectible accounts.

Income Taxes – The organization is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. In addition, the organization has been recognized as a public charity under Sections 170(b)(1)(a)(vi) and 509(a)(1) of the Internal Revenue Code.

Subsequent Events – As required by FASB ASC No. 855, *Subsequent Events*, subsequent events have been evaluated by management through February 24, 2010, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2008 – The accompanying financial information as of and for the year ended September 30, 2008 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

Other Significant Accounting Policies – Other significant accounting policies are set forth in the financial statements and the following notes.

3. New Accounting Pronouncements

During the year ended September 30, 2009, the organization adopted FASB ASC No. 820, *Fair Value Measurements and Disclosures*, issued by the FASB in September of 2006. This standard defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the U.S., and expands disclosures about fair value measurements. The pronouncement applies under other accounting standards that require or permit fair value measurements. Accordingly, this statement does not require any new fair value measurements. See note 17.

The implementation of this new accounting standard did not result in any change in previously reported net assets or changes in net assets.

4. Accounts Receivable

Accounts receivable at September 30, 2009 are summarized as follows:

Environmental Protection Agency	\$	46,403
Other		24,261
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Total	\$	70,664
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5. Grants and Contributions Receivable

Grants and contributions receivable are summarized as follows at September 30, 2009:

<i>Unconditional promises</i>		
<i>expected to be collected in:</i>		
Less than one year	\$	310,000
One year to five years		30,000
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	\$	340,000
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At September 30, 2009, the organization also was the beneficiary of a \$200,000 corporate sponsorship grant which was subject to various conditions and performance obligations that are expected to be fulfilled over the next three years. In addition, at September 30, 2009, the organization was awarded a conditional grant in the amount of \$15,000, the receipt of which is conditioned upon the achievement of certain defined benchmarks and the availability of funding. These grants have not been included in the accompanying financial statements because the associated conditions had not been satisfied as of September 30, 2009.

6. Other Long-Term Assets

Other long-term assets at September 30, 2009 represent the following:

Rent deposit	\$	6,240
Land holdings ¹		5,900
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	\$	12,140
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¹ Land holdings represents a single parcel of land located in Skagit County, Washington which is held for sale. The asset is carried at its fair value on the date of donation.

7. Investments

The following is a summary of investments held at September 30, 2009:

Common stocks	\$	172,537
Corporate fixed income securities		100,484
Equity mutual funds		37,436
Money market funds		57,130
	\$	367,587

Investments in common stocks are reported at fair market value as quoted on major stock exchanges. Fixed income instruments are reported at quoted market prices. Investments in equity and fixed income funds, and equity mutual funds are valued at quoted values by the issuers.

Investment performance for all accounts managed under investment agreements are reviewed periodically by River Network's finance committee and Board of Directors.

8. Furniture and Equipment

A summary of furniture and equipment at September 30, 2009 is as follows:

Furniture and equipment	\$	70,993
Less accumulated depreciation		(70,993)
	\$	-

9. Line of Credit

The organization maintains a line of credit secured by all business assets for up to a total of \$75,000, bearing interest at prime plus 1.5% (4.75% at September 30, 2009). At September 30, 2009, no balance was outstanding under this agreement.

10. Restrictions and Limitations on Net Asset Balances

Board-Designated Net Assets

As of September 30, 2009, the organization's Board of Directors had designated \$359,151 of the organization's unrestricted net assets as a reserve fund.

Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2009 represent contributions, grants, and other unexpended revenues and gains restricted by donors for the following:

Building Citizen Capacity	\$	260,518
Freshwater Protection		211,586
Other programs		110,379
Future periods		125,000
	\$	707,483

11. Net Assets Released from Restrictions

During the year ended September 30, 2009, River Network incurred \$1,343,444 in expenses in satisfaction of the restricted purposes specified by donors, or otherwise satisfied the restrictions by the occurrence of other events.

12. Expenses

The costs of providing the various programs and other activities of the organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

13. Operating Lease

Future minimum rental payments required under operating leases for office space, and for various office equipment, which have terms in excess of one year, at September 30, 2009, are as follows:

<i>Years ending September 30,</i>	
2010	\$ 84,797
2011	86,484
2012	60,700
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	\$ 231,981

Rent expense for office space and office equipment for the year ended September 30, 2009 totaled \$83,269.

14. Retirement Plan

Effective October 1, 2008, the organization provides substantially all employees with a qualified profit-sharing retirement plan as described under Section 401(k) of the Internal Revenue Code. Employees who are over 21 years of age qualify to participate in the plan. Employees may elect to make voluntary contributions to the plan on a pre-tax basis, up to the limits allowed by law, from the first day of the month following employment. The organization makes a discretionary contribution equal to 1.0% of the total annual compensation of each employee. Employees select from several investment options. Contributions to the plan from both employees and the organization vest as accrued. Contributions to the plan by the organization totaled \$9,797 for the year ended September 30, 2009.

Prior to October 1, 2008, the organization made a 4.0% elective contribution to a Simplified Employee Pension Individual Retirement Account Contribution Agreement as provided under Section 408(k) of the Internal Revenue Code. This plan was terminated as of September 30, 2008.

15. Other Commitments

At September 30, 2009, the organization had awarded \$17,399 in grants to other organizations that are conditioned upon the recipient organization incurring allowable costs. These grants have not been included in the accompanying financial statements because the associated conditions had not been satisfied as of September 30, 2009.

16. Contingencies

Amounts received or receivable under governmental contracts are subject to audit and adjustment by the contracting agencies. Any expenditures or claims disallowed as a result of such audits would become a liability of the organization's general operating funds. In the opinion of the organization's management, any adjustments that might result from such audits would not be material to the organization's overall financial statements.

17. Fair Value Measurements

The accompanying financial statements report the organization's investments at fair value. These assets have been classified, for disclosure purposes, based on a hierarchy defined by FASB ASC No. 820, *Fair Value Measurements and Disclosures*. This hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

At September 30, 2009, the organization's financial assets that are reported at market value on a recurring basis consist of investments which are measured at fair value on a recurring basis using quoted prices for similar assets (i.e., Level 1).

18. Statement of Cash Flow Reconciliation

The following presents a reconciliation of the decrease in net assets (as reported on the statement of activities) to net cash used in operating activities (as reported on the statement of cash flows):

Decrease in net assets	\$	(58,091)
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<i>Adjustments to reconcile decrease in net assets to net cash used in operating activities:</i>		
Net appreciation in the fair value of investments		(7,586)
Donated securities		(34,995)
In-kind contribution of land		(5,900)
<i>Net changes in:</i>		
Accounts receivable		4,400
Grants and contributions receivable		116,196
Prepaid expenses		(10,356)
Accounts payable and accrued expenses		(923)
Accrued payroll and related expenses		(16,894)
Deferred revenue		(8,855)
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Total adjustments		35,087
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Net cash used in operating activities	\$	(23,004)
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RIVER NETWORK

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

	2009				Total	Total	2008
	Program services	Management and general	Fund-raising	Supporting services			
Salaries	\$ 669,535	179,110	159,547	338,657	1,008,192	880,354	
Payroll taxes and benefits	168,373	45,048	40,606	85,654	254,027	204,795	
Grants	185,570	—	—	—	185,570	101,690	
Professional services	108,403	58,681	1,061	59,742	168,145	213,504	
Printing and publications	29,291	64	5,034	5,098	34,389	22,908	
Supplies	7,261	4,775	239	5,014	12,275	25,842	
Meeting expenses	5,138	6,438	—	6,438	11,576	11,302	
Travel	61,930	3,363	17,013	20,376	82,306	90,275	
Telephone	14,336	9,557	635	10,192	24,528	21,696	
Office equipment and repair	50	6,718	—	6,718	6,768	6,305	
Postage and shipping	15,259	2,004	1,974	3,978	19,237	14,886	
Program materials	7,990	105	146	251	8,241	11,022	
Occupancy	—	62,956	—	62,956	62,956	61,085	
Equipment lease	—	20,313	—	20,313	20,313	21,527	
Dues and fees	4,190	17,246	10,428	27,674	31,864	19,124	
Insurance	—	6,803	—	6,803	6,803	4,715	
River Rally and other events expenses	269,802	275	4,444	4,719	274,521	149,229	
Training costs	7,898	—	1,008	1,008	8,906	5,322	
Interest	—	1,207	—	1,207	1,207	1,337	
Bad debt expense	—	2,572	—	2,572	2,572	9,900	
Other	1,238	15,562	1,586	17,148	18,386	27,519	
Total expenses before indirect cost allocation	1,556,264	442,797	243,721	686,518	2,242,782	1,904,337	
Indirect cost allocation	77,247	(95,699)	18,452	(77,247)	—	—	
Total expenses	\$ 1,633,511	347,098	262,173	609,271	2,242,782	1,904,337	

RIVER NETWORK

GOVERNING BOARD AND MANAGEMENT

AS OF DECEMBER 31, 2009

Board of Directors

Todd Ambs, *Chair*
Madison, Wisconsin

Marc Taylor, *Vice-Chair*
The Pomperaug River Watershed
Coalition, Inc.
Southbury, Connecticut

Catherine Armington, *Treasurer*
Economic Analyst
Washington, D.C.

Adrienne Atwell
Consultant
Cortlandt Manor, New York

Rob R. Buirgy
Consultant
Lafayette, Colorado

Kimberly N. Charles
Charles Communications
Associates
San Francisco, California

Mary Ann Dickinson
Alliance for Water Efficiency
Chicago, Illinois

Barbara J. Horn
Colorado Division of Wildlife
Durango, Colorado

Dave Katz
Coca Cola Enterprises
Atlanta, Georgia

Leslie Lowe
Interfaith Center on Corporate
Responsibility
New York, New York

Paul Paryski
New Mexico Governor's Blue
Ribbon Water Task Force
Santa Fe, New Mexico

Baljit Wadhwa
International Finance Corporation
Washington, D.C.

James R. Wheaton
Environmental Law Foundation
Oakland, California

Suzi Wilkins Berl
Retired Consultant
Asheville, North Carolina

Robert Zimmerman
Charles River Watershed
Association
Weston, Massachusetts

Management

Ezra Milchman
President/Chief Executive Officer

Doug Ross
Interim Chief Operating Officer

RIVER NETWORK

INQUIRIES AND OTHER INFORMATION

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