

River Network

Financial Statements and Other Information
as of and for the Year Ended September 30, 2010 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, 2010, 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, 2009 and, in our report dated February 24, 2010, 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 2010 financial statements referred to above present fairly, in all material respects, the financial position of River Network as of September 30, 2010, 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.



January 12, 2011

RIVER NETWORK

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2010

(WITH COMPARATIVE AMOUNTS FOR 2009)

	2010	2009
Assets:		
Cash and cash equivalents	\$ 330,108	216,909
Accounts receivable <i>(note 3)</i>	20,093	70,664
Grants and contributions receivable <i>(note 4)</i>	317,262	340,000
Prepaid expenses	3,800	26,220
Other long-term assets <i>(note 5)</i>	12,140	12,140
Investments <i>(note 6)</i>	392,413	359,151
Furniture and equipment <i>(note 7)</i>	-	-
Total assets	\$ 1,075,816	1,025,084
Liabilities:		
Accounts payable and accrued expenses	26,683	34,652
Accrued payroll and related expenses	26,728	34,343
Total liabilities	53,411	68,995
Net assets:		
Unrestricted:		
Available for general operations	(211,725)	(110,545)
Board-designated reserve fund <i>(note 9)</i>	392,413	359,151
Total unrestricted	180,688	248,606
Temporarily restricted <i>(note 9)</i>	841,717	707,483
Total net assets	1,022,405	956,089
Commitments and contingencies <i>(notes 8, 12, 13, and 14)</i>		
Total liabilities and net assets	\$ 1,075,816	1,025,084

See accompanying notes to financial statements.

RIVER NETWORK

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	2010			2009
	Unrestricted	Temporarily restricted	Total	
Revenues, gains, and other support:				
Foundation grants and contributions	\$ 55,000	880,617	935,617	780,589
Corporate grants and contributions	–	417,006	417,006	326,263
Individual and Board contributions	240,524	5,551	246,075	336,248
Government grants	155,613	–	155,613	385,101
In-kind contributions	1,315	–	1,315	9,358
Annual River Rally registration fees and sales	165,377	–	165,377	167,107
Partner fees	34,439	–	34,439	31,190
Management and consulting fees	70,668	–	70,668	127,508
Interest income	6,315	–	6,315	7,407
Net appreciation in the fair value of investments	26,962	–	26,962	7,586
Other	10,692	–	10,692	6,334
Total revenues and gains	766,905	1,303,174	2,070,079	2,184,691
Net assets released from restriction (<i>note 10</i>)	1,168,940	(1,168,940)	–	–
Total revenues, gains, and other support	1,935,845	134,234	2,070,079	2,184,691
Expenses (<i>note 11</i>):				
Program services	1,342,307	–	1,342,307	1,647,636
Supporting services:				
Management and general	467,129	–	467,129 ^A	347,098
Fundraising	194,327	–	194,327	248,048
Total supporting services	661,456	–	661,456	595,146
Total expenses	2,003,763	–	2,003,763	2,242,782
Increase (decrease) in net assets	(67,918)	134,234	66,316	(58,091)
Net assets at beginning of year	248,606	707,483	956,089	1,014,180
Net assets at end of year	\$ 180,688	841,717	1,022,405	956,089

See accompanying notes to financial statements.

^A Management and general expenses for the year ended September 30, 2010 include \$103,750 in nonrecurring expenses associated with a one-time restructuring of the organization's administrative function and related systems support.

RIVER NETWORK

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	2010	2009
Cash flows from operating activities:		
Cash received from contributors, grantors, contractors, and others	\$ 2,108,796	2,237,086
Cash received from interest	6,315	7,407
Cash paid to suppliers, employees, and others	(1,995,612)	(2,266,290)
Cash paid for interest	-	(1,207)
Net cash provided by (used in) operating activities	119,499	(23,004)
Cash flows from investing activities:		
Proceeds from the sale of investments	-	34,759
Purchases of investments	(6,300)	(7,426)
Net cash provided by (used in) investing activities	(6,300)	27,333
Net increase in cash and cash equivalents	113,199	4,329
Cash and cash equivalents at beginning of year	216,909	212,580
Cash and cash equivalents at end of year	\$ 330,108	216,909

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2010

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, River Network 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 staff is headquartered in Portland, Oregon, with field offices in Vermont, Maryland, North Carolina, Utah, and Idaho.

River Network envisions a future when every person knows their watershed and is an active caretaker of their local river, lake, stream, or bay. River Network works toward 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 that support rich habitat for a diversity of fish, birds, and wildlife, both in the water and on the land.
- Healthy river systems free of pollution that provide clean water for everyone to sustain our health, ensure enjoyment of rivers, and stop environmental injustice.
- Reduced impacts of climate change and improved river health 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 River Network 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 River Network 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, 2010, River Network recorded \$1,315 in donated travel expenses.

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 \$3,700 for year ended September 30, 2010. 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 grants and contributions 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. Partner dues are considered equivalent to unrestricted contributions and are recognized as revenue when received.

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

Concentrations of Credit Risk – River Network's financial instruments consist primarily of money market funds, mutual funds, equity securities, and fixed income securities. These financial instruments may subject River Network to concentrations of credit risk as, from time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC"), the fair value of securities are dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values.

All checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC for up to \$250,000 per depositor, per insured bank, for each account ownership category. In addition, the FDIC's temporary Transaction Account Guarantee ("TAG") Program provides depositors with unlimited coverage for noninterest-bearing transaction accounts at participating FDIC-insured institutions. This unlimited protection is available (through December 31, 2010) only at insured depository institutions that continue to participate in the TAG Program. Beginning January 1, 2011 through December 31, 2012, deposits held in noninterest-bearing transaction accounts will be fully insured, regardless of the amount in the account, at all FDIC-insured institutions. As of September 30, 2010, River Network held \$78,501 in excess of FDIC coverage.

Certain receivables may also, from time to time, subject River Network to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, River Network'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 – River Network is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. In addition, River Network 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 January 12, 2011, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2009 – The accompanying financial information as of and for the year ended September 30, 2009 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. Accounts Receivable

Accounts receivable at September 30, 2010 are summarized as follows:

National Fish and Wildlife Foundation	\$ 11,879
Other	8,214
Total	\$ 20,093

4. Grants and Contributions Receivable

Grants and contributions receivable are summarized as follows at September 30, 2010:

<i>Unconditional promises expected to be collected in:</i>	
Less than one year	\$ 297,262
One year to five years	20,000
	\$ 317,262

At September 30, 2010, River Network also was the beneficiary of a \$100,000 corporate sponsorship grant which was subject to various conditions and performance obligations that are expected to be fulfilled over the next year. This grant has not been included in the accompanying financial statements because the associated conditions had not been satisfied as of September 30, 2010.

5. Other Long-Term Assets

Other long-term assets at September 30, 2010 represent the following:

Rent deposit	\$ 6,240
Land holdings ¹	5,900
	\$ 12,140

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.

6. Investments

The following is a summary of investments held at September 30, 2010:

Money market funds	\$	53,900
Common stocks		196,131
Corporate fixed income securities		102,506
Equity mutual funds		39,876
	\$	392,413

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.

7. Furniture and Equipment

A summary of furniture and equipment at September 30, 2010 is as follows:

Furniture and equipment	\$	45,232
Less accumulated depreciation		(45,232)
	\$	–

8. Line of Credit

River Network 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, 2010). At September 30, 2010, no balance was outstanding under this agreement.

9. Restrictions and Limitations on Net Asset Balances

Board-Designated Net Assets

As of September 30, 2010, River Network's Board of Directors had designated \$392,413 of River Network's unrestricted net assets as a reserve fund.

Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2010 represent grants, contributions, and other unexpended revenues and gains restricted by donors for the following:

Organizational Development	\$	364,642
Protection and Restoration		128,238
Saving Water Saving Energy		100,212
Community Relations		80,000
River Rally		40,800
Partnership		39,837
Healthy Waters		15,726
Future periods		72,262
	\$	841,717

10. Net Assets Released from Restrictions

During the year ended September 30, 2010, River Network incurred \$1,168,940 in expenses in satisfaction of the restricted purposes specified by donors, or otherwise satisfied the restrictions by the occurrence of other events.

11. Expenses

The costs of providing the various programs and other activities of River Network 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.

12. Operating Lease

At September 30, 2010, future minimum rental payments required under operating leases for office space and for various office equipment, which have terms in excess of one year, are as follows:

<i>Years ending September 30,</i>	
2011	\$ 87,099
2012	61,122
	<hr/>
	\$ 148,221

Rent expense for office space and office equipment for the year ended September 30, 2010 totaled \$85,394.

13. Retirement Plan

River Network 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. River Network 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 River Network vest as accrued. River Network did not make any contributions to the plan during the year ended September 30, 2010 (River Network contributed \$9,877 to the plan during the year ended September 30, 2009).

14. 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 River Network's general operating funds. In the opinion of River Network's management, any adjustments that might result from such audits would not be material to River Network's overall financial statements.

15. Fair Value Measurements

The accompanying financial statements report River Network'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, 2010, River Network's financial assets that are reported at fair 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).

16. Statement of Cash Flow Reconciliation

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

Increase in net assets	\$	66,316
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<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>		
Net appreciation in the fair value of investments		(26,962)
<i>Net changes in:</i>		
Accounts receivable		50,571
Grants and contributions receivable		22,738
Prepaid expenses		22,420
Accounts payable and accrued expenses		(7,969)
Accrued payroll and related expenses		(7,615)
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Total adjustments		53,183
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Net cash provided by operating activities	\$	119,499
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17. Reclassification of 2009 Comparative Totals

Certain 2009 amounts presented herein have been reclassified to conform to the 2010 presentation.



RIVER NETWORK

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	2010				Total	Total	2009
	Program services	Management and general	Fund-raising	Supporting services			
Salaries	\$ 583,075	202,988	128,848	331,836	914,911	1,008,192	
Payroll taxes and benefits	127,801	43,276	27,955	71,231	199,032	254,027	
Grants	142,140	—	—	—	142,140	185,570	
Professional services	112,125	131,711	5,154	136,865	248,990	168,145	
Supplies	3,036	6,371	300	6,671	9,707	19,043	
Telephone	9,093	15,390	1,480	16,870	25,963	24,528	
Postage and shipping	7,348	5,294	2,454	7,748	15,096	19,237	
Occupancy	30,643	24,355	9,913	34,268	64,911	62,956	
Printing and publications	16,520	37,514	232	37,746	54,266	54,702	
Travel	59,754	818	8,615	9,433	69,187	82,306	
Meeting expenses	—	5,090	—	5,090	5,090	11,576	
Interest	—	—	—	—	—	1,207	
Program materials	4,495	356	70	426	4,921	8,241	
Dues and fees	14,885	15,456	1,920	17,376	32,261	31,864	
Insurance	—	4,748	—	4,748	4,748	6,803	
River Rally and other events expenses	199,249	413	—	413	199,662	274,521	
Training costs	99	4,586	—	4,586	4,685	8,906	
Bad debt expense	—	—	—	—	—	2,572	
Other	167	7,677	349	8,026	8,193	18,386	
Total expenses before indirect cost allocation	1,310,430	506,043	187,290	693,333	2,003,763	2,242,782	
Indirect cost allocation	31,877	(38,914)	7,037	(31,877)	—	—	
Total expenses	\$ 1,342,307	467,129	194,327	661,456	2,003,763	2,242,782	

RIVER NETWORK

GOVERNING BOARD AND MANAGEMENT

AS OF DECEMBER 31, 2010

Board of Directors

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

Kimberly N. Charles, *Vice-Chair*
Charles Communications
Associates
San Francisco, California

Suzi Wilkins Berl, *Vice-Chair*
Retired Consultant
Asheville, North Carolina

Robert Zimmerman, *Treasurer*
Charles River Watershed
Association
Weston, Massachusetts

Adrienne Atwell, *Secretary*
Consultant
Cortlandt Manor, New York

Lynn Broaddus
The Johnson Foundation
Racine, Wisconsin

Mary Ann Dickinson
Alliance for Water Efficiency
Chicago, Illinois

Barbara J. Horn
Colorado Division of Wildlife
Durango, Colorado

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

Wyatt Rockefeller
New York, New York

Chuck Sams
Indian Country Conservancy
Umatilla Tribal Community
Foundation
Pendleton, Oregon

Baljit Wadhwa
International Finance Corporation
Washington, D.C.

James R. Wheaton
Environmental Law Foundation
Oakland, California

Management

Todd Ambs
President

RIVER NETWORK

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