
River Network

Financial Statements and Other Information
as of and for the Year Ended September 30, 2015
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 financial statements of River Network, which comprise the statement of financial position as of September 30, 2015, and the related statements of activities and cash flows for the year 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 the organization's 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 the organization's 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 River Network as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Summarized Comparative Information

We have previously audited River Network's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 22, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Gary L. Cox & Co., LLP". The signature is fluid and cursive, with "Gary L." on top, "Cox" in the middle, and "& Co., LLP" at the bottom.

February 2, 2016

RIVER NETWORK

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2015
 (WITH COMPARATIVE AMOUNTS FOR 2014)

	2015			2014
	Unrestricted	Temporarily restricted	Total	
Assets:				
Cash and cash equivalents	\$ 199,702	495,384	695,086	379,337
Accounts receivable	51,862	—	51,862	59,404
Grants and contributions receivable (note 3)	24,000	388,000	412,000	215,252
Prepaid expenses	28,813	—	28,813	67,771
Other long-term assets (note 4)	5,900	—	5,900	5,900
Investments	—	—	—	229,240
Total assets	\$ 310,277	883,384	1,193,661	956,904
Liabilities:				
Accounts payable and accrued expenses	43,966	—	43,966	25,513
Grants payable	5,284	—	5,284	4,000
Accrued payroll and related expenses	37,241	—	37,241	49,299
Deferred rent charges	—	—	—	14,486
Total liabilities	86,491	—	86,491	93,298
Net assets:				
Unrestricted	223,786	—	223,786	184,570
Temporarily restricted (note 6)	—	883,384	883,384	679,036
Total net assets	223,786	883,384	1,107,170	863,606
Commitments and contingencies (notes 5, 9, 10, and 12)				
Total liabilities and net assets	\$ 310,277	883,384	1,193,661	956,904

See accompanying notes to financial statements.

RIVER NETWORK

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2015
 (WITH COMPARATIVE TOTALS FOR 2014)

	2015			2014
	Unrestricted	Temporarily restricted	Total	
Revenues, gains, and other support:				
Foundation grants and contributions	\$ 158,737	993,500	1,152,237	777,002
Corporate grants and contributions	81,822	150,000	231,822	446,737
Individual and Board contributions	156,791	—	156,791	213,267
Government grants and contributions	74,117	—	74,117	174,312
In-kind contributions	21,288	—	21,288	17,025
Annual River Rally registration fees and sales	270,385	—	270,385	323,548
Partner fees	75,661	—	75,661	71,397
Fees for services	180,635	—	180,635	274,910
Net appreciation in the fair value of investments	1,822	—	1,822	42,165
Other	22,643	—	22,643	33,358
Total revenues and gains	1,043,901	1,143,500	2,187,401	2,373,721
Net assets released from restriction (<i>note 7</i>)	939,152	(939,152)	—	—
Total revenues, gains, and other support	1,983,053	204,348	2,187,401	2,373,721
Expenses (<i>note 8</i>):				
Program services	1,461,122	—	1,461,122	1,637,359
Supporting services:				
Management and general	292,783	—	292,783	268,030
Fundraising	189,932	—	189,932	233,398
Total supporting services	482,715	—	482,715	501,428
Total expenses	1,943,837	—	1,943,837	2,138,787
Increase in net assets	39,216	204,348	243,564	234,934
Net assets at beginning of year	184,570	679,036	863,606	628,672
Net assets at end of year	\$ 223,786	883,384	1,107,170	863,606

See accompanying notes to financial statements.

RIVER NETWORK

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2015
 (WITH COMPARATIVE TOTALS FOR 2014)

	2015	2014
Cash flows from operating activities:		
Cash received from contributors, grantors, contractors, and others	\$ 1,975,085	2,323,398
Cash received from interest	–	3,209
Cash paid to suppliers, employees, and others	(1,890,398)	(2,169,931)
Net cash provided by operating activities	84,687	156,676
Cash flows from investing activities:		
Proceeds from the sale of investments	281,537	279,000
Purchases of investments	(50,475)	(108,671)
Net cash provided by investing activities	231,062	170,329
Net increase in cash and cash equivalents	315,749	327,005
Cash and cash equivalents at beginning of year	379,337	52,332
Cash and cash equivalents at end of year	\$ 695,086	379,337

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

1. Organization

River Network envisions a future of clean and ample water for people and nature, where local caretakers are well-equipped, effective and courageous champions for our rivers. Their mission directly supports this vision: River Network's mission is to empower and unite people and communities to protect and restore rivers and other waters that sustain all life. And their current strategic plan and operations further focus their investments around three strategies, as explained below: STRONG CHAMPIONS, CLEAN WATER, and AMPLE WATER.

River Network maintains offices in Portland, Oregon and Boulder, Colorado and also has staff in field locations including Ohio, North Carolina, Maryland, and Alaska. River Network has invested in the systems necessary to support such a decentralized team, including online work spaces, virtual conferencing, and tight alignment between its strategic plan, annual work plan, and personal objectives for each staff person.

Over the past 27 years, River Network has accomplished its mission by investing in local efforts and helping advance impact at more significant scales (system, state, regional, national). River Network has worked with groups and individuals in every state and region of the U.S. and beyond. It provides one-on-one mentoring and consulting, virtual trainings, and conferences to strengthen local efforts; convenes groups for greater impact; and increases the transfer of practical water management solutions. Over 2,000 organizations and 10,000 individuals are part of its community.

Fiscal Year 2015's efforts were completely focused on three strategies identified within its current strategic plan which build from its strengths and work to date:

STRONG CHAMPIONS – Strengthen coalitions, organizations, and leaders. More specifically, River Network ensures that new and existing leaders, organizations, and coalitions are strong, effective, sustainable, results-oriented, and equipped to make the greatest impact for our rivers and other waters in a rapidly changing world.

CLEAN WATER – Promote clean water solutions and innovations. More specifically, River Network improves local understanding of the causes of water quality decline, advance policies and restoration practices that can turn this situation around and sustain improvement over the long term, and foster opportunities for expanded impact through collaboration.

AMPLE WATER – Advance water supply security and sustainability. More specifically, River Network grows local caretaker familiarity with the challenges and opportunities associated with securing an ample supply of water for healthy rivers and communities, craft solutions that meet both human and ecosystem needs, and foster expanded impact through collaboration.

These three strategies – STRONG CHAMPIONS, CLEAN WATER, and AMPLE WATER – inform all aspects of River Network's work throughout the year: From the structure and access to best practices and impact stories offered through their website; to River Voices, their high quality quarterly newsletter; River Rally, the annual conference they deliver; webinars and online discussions for the river and watershed community; and one-on-one mentoring, consulting, and engagement to help groups and coalitions expand their impact.

These strategies are also supported by and integrated across the structure of functions of River Network staff: Leadership Development, Science and Policy, Community Engagement, Finance and Operations, Fundraising and Communications, and Executive. Staff work, together within and across these functions to fulfill grant and donor obligations and expand into new mission-driven areas of opportunity. This alignment and cooperation helps River Network be a highly effective and strategically focused organization.

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. Certain restricted grants and contributions are reported as unrestricted if their restrictions were satisfied in the same year.

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. In the opinion of management, such differences, if any, would not be significant.

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. 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 the free use of facilities, 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, 2015, River Network received the following in-kind contributions:

Free use of facilities	\$ 14,800
Supplies and materials	4,763
Graphic design services	1,725
	<hr/> \$ 21,288

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.

Capital Assets and Depreciation – Generally, furniture and equipment in excess of \$5,000 are capitalized, and reported at cost when purchased and initially at fair 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 fees 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 – The organization's financial instruments consist primarily of cash equivalents, and money market funds which may subject the organization to concentrations of credit risk as, from time to time, for example, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC").

All checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC for up to \$250,000 for each depositor, for each insured bank, for each account ownership category. At September 30, 2015, River Network held approximately \$157,542 in cash in excess of insured levels.

Certain receivables may also, from time to time, 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 – 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. For tax purposes, River Network's open audit periods are for the years ended September 30, 2012 through 2014.

River Network has adopted the recognition requirements for uncertain income tax positions as required by FASB ASC No. 740-10, *Income Taxes*. Under this standard, income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities.

Subsequent Events – As required by FASB ASC No. 855, *Subsequent Events*, subsequent events have been evaluated by management through February 2, 2016, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2014 – The accompanying financial information as of and for the year ended September 30, 2014 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. Grants and Contributions Receivable

Grants and contributions receivable at September 30, 2015 consist of unconditional promises totaling \$412,000, expected to be collected in less than one year.

In addition, at September 30, 2015, River Network had access to an additional \$34,593 in government grants, the receipt of which was conditioned upon the incurrence of allowable costs, as follows:

USDI/National Park Service	\$ 18,656
USDA/Forest Service	15,937
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	\$ 34,593

These grant revenues have not been included in the accompanying financial statements because the associated conditions had not been satisfied as of September 30, 2015.

4. Other Long-Term Assets

Other long-term assets at September 30, 2015 total \$5,900 and consist of 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.

5. 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 4.75%. At September 30, 2015, no balance was outstanding under this agreement.

6. Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets at September 30, 2015 represent grants, contributions, and other unexpended revenues and gains restricted by donors for the following:

Clean Water	\$ 556,448
Ample Water	193,544
Strong Champions	52,404
Community Engagement	40,988
River Rescue Fund	40,000
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	\$ 883,384
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7. Net Assets Released from Restrictions

During the year ended September 30, 2015, River Network incurred \$939,152 in expenses in satisfaction of the restricted purposes specified by donors, or otherwise satisfied the restrictions by the occurrence of other events. Accordingly, a corresponding amount is reported as a reclassification from temporarily restricted net assets to unrestricted net assets in the accompanying financial statements.

8. 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.

9. Operating Leases

The organization leases office facilities and equipment under non-cancelable operating leases that expire in various years through 2020. The organization has the option to renew certain leases at various terms and amounts.

At September 30, 2015, the approximate minimum rental commitments under these leases are as follows:

<i>Years ending September 30,</i>	
2016	\$ 43,536
2017	43,632
2018	17,172
2019	8,268
2020	5,512
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	\$ 118,120
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Rent expense for the year ended September 30, 2015 totaled \$64,410, including \$14,800 in the free use of facilities.

10. Retirement Plan

River Network provides 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. During the year ended September 30, 2015, River Network made a discretionary contribution equal to 2.0% 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 contributed \$17,213 to the plan during the year ended September 30, 2015.

11. Reclassification of 2014 Comparative Totals

Certain 2014 amounts presented herein have been reclassified to conform to the 2015 presentation.

12. 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.

13. 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	\$ 243,564
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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	(1,822)
<i>Net changes in:</i>	
Accounts receivable	7,542
Grants and contributions receivable	(196,748)
Prepaid expenses	38,958
Accounts payable and accrued expenses	18,453
Grants payable	1,284
Accrued payroll and related expenses	(12,058)
Deferred rent charges	(14,486)
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Total adjustments	(158,877)
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Net cash provided by operating activities	\$ 84,687
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RIVER NETWORK

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2015
 (WITH COMPARATIVE TOTALS FOR 2014)

	\$	2015				Total	2014
		Program services	Management and general	Fundraising	Total		
Payroll	\$ 659,409	97,561	119,702	217,263	876,672	842,598	
Payroll taxes and benefits	177,558	24,234	28,691	52,925	230,483	212,859	
Grants	105,228	—	—	—	105,228	100,490	
Professional services	102,526	52,917	15,338	68,255	170,781	243,472	
River Rally and other events expenses	255,874	90	779	869	256,743	372,213	
Printing and publications	12,240	6,979	2,346	9,325	21,565	29,345	
Travel	52,178	3,991	2,968	6,959	59,137	56,224	
Dues and subscriptions	5,758	747	4,181	4,928	10,686	9,338	
Telephone	15,077	11,231	474	11,705	26,782	22,180	
Occupancy	18,668	34,269	9,800	44,069	62,737	68,777	
Supplies and equipment	6,582	4,057	380	4,437	11,019	6,453	
Postage and shipping	3,623	1,762	3,006	4,768	8,391	15,000	
Program materials	28,307	—	—	—	28,307	99,967	
Bank fees	12,669	15,544	—	15,544	28,213	20,782	
Insurance	—	4,880	—	4,880	4,880	10,227	
Training costs	2,062	7,881	1,592	9,473	11,535	4,916	
Other	3,363	26,640	675	27,315	30,678	23,946	
Total expenses	\$ 1,461,122	292,783	189,932	482,715	1,943,837	2,138,787	

GOVERNING BOARD AND MANAGEMENT**Board of Directors**

Lynn Broaddus, *Chair*
*Broadview Collaborative, Inc.**
Wauwatosa, Wisconsin

Rebecca Wodder, *Vice Chair*
Consultant
Fairfax Station, Virginia

Christopher (Chris) N. Brown,
Secretary
Retired
Washington, D.C.

Paul Sloan, *Treasurer*
Franklin, Tennessee

Gary Collins
*State of Wyoming**
Arapaho, Wyoming

Mary Ann Dickinson
*Alliance for Water Efficiency**
Chicago, Illinois

Barbara Horn
*Colorado Division of Wildlife **
Durango, Colorado

Tommy Latousek
*Joshua & Co **
Aspen, Colorado

Leslie Lowe
*Rockefeller Family Fund **
New Orleans, Louisiana

Jon Radtke
*Coca-Cola Company **
Atlanta, Georgia

Brian Richter
*Sustainable Waters **
Crozet, Virginia

Nicole Silk (*ex officio*)
*River Network **
Nederland, Colorado

Beth Stewart
*Cahaba River Society **
Birmingham, Alabama

Greer Tidwell
*Bridgestone Americas **
Nashville, Tennessee

Bava Wadhwa
*Global Environment Facility **
Washington, D.C.

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

Management

Nicole Silk
President

* Company, organization, or agency affiliation listed for identification purposes only.

RIVER NETWORK

INQUIRIES AND OTHER INFORMATION

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