RIVER NETWORK

Financial Statements and Independent Auditor's Report
September 30, 2020 and 2019

RIVER NETWORK

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To the Board of Directors of
River Network
Boulder, Colorado

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of River Network (a nonprofit organization), which comprise the statements of financial position as of September 30, 2020 and 2019 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 entity'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 entity'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.

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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, 2020 and 2019, and the changes in its net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Artesian CPA, LLC

Artesian CPA, LLC
Denver, Colorado
February 22, 2021

RIVER NETWORK
STATEMENTS OF FINANCIAL POSITION
As of September 30, 2020 and 2019

	2020	2019
ASSETS		
Current Assets:		
Cash and equivalents-unrestricted	$ 1,434,649	$ 1,518,278
Cash and equivalents-restricted	1,156,518	342,614
Accounts receivable	68,787	96,288
Grants and contributions receivable	266,000	928,950
Prepaid expense	4,426	12,547
Security deposit	3,131	3,131
Total Current Assets	2,933,511	2,901,808
Property and Equipment:		
Property and equipment, net	60,711	81,399
Total Property and Equipment	60,711	81,399
TOTAL ASSETS	$ 2,994,222	$ 2,983,207

	2020	2019
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 87,796	$ 49,590
Grants payable	46,400	14,160
Accrued payroll	132,072	19,693
Accrued vacation	56,343	45,049
Total Liabilities	322,611	128,492
Net Assets:		
Without donor restrictions	1,246,593	892,716
With donor restrictions	1,425,018	1,961,999
Total Net Assets	2,671,611	2,854,715
TOTAL LIABILITIES AND NET ASSETS	$ 2,994,222	$ 2,983,207

See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.

RIVER NETWORK
STATEMENTS OF ACTIVITIES
For the years ended September 30, 2020 and 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating Activities:				
Foundation grants and contributions	$ 235,000	$ 640,000	$ 875,000	$ 2,165,142
Corporate grants and contributions	12,000	520,000	532,000	584,550
Fees for services	516,382	-	516,382	394,590
Individual and small business contributions	304,175	-	304,175	229,870
Government grants and contributions	279,617	-	279,617	56,305
Annual River Rally registration fees and sales, net of scholarships of $58,028 and $95,038, as of September 30 and 2019, respectively.	52,290	-	52,290	139,589
Membership dues	38,500	-	38,500	74,636
Other income	1,622	-	1,622	10,144
Interest income	1,610	-	1,610	4,382
Net assets released from restrictions	1,696,981	(1,696,981)	-	1,553
Total Revenues and Support	3,138,177	(536,981)	2,601,196	3,660,761
Expenses:				
Program services	2,074,064	-	2,074,064	2,223,316
Supporting services:				
Management and general	399,174	-	399,174	146,754
Fundraising	311,062	-	311,062	285,664
Total Expenses	2,784,300	-	2,784,300	2,655,734
Change in net assets	353,877	(536,981)	(183,104)	1,005,027
Net assets at beginning of year	892,716	1,961,999	2,854,715	1,849,688
Net assets at end of year	$ 1,246,593	$ 1,425,018	$ 2,671,611	$ 2,854,715

See Independent Auditor's Report and accompanying notes, which are an integral part of these financial statements.

RIVER NETWORK
STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended September 30, 2020 and 2019

	2020				2019
	Program Services	Supporting Services			
	River Program	Management and General	Fundraising	Total Expenses	Total Expenses
Salaries and wages	$ 919,955	$ 230,962	$ 264,517	$ 1,415,434	$ 1,228,733
Grant expenses	505,927	-	-	505,927	393,680
Other professional fees	331,704	6,262	4,836	342,802	318,713
Payroll taxes	60,657	23,932	10,850	95,439	93,811
Accounting fees	263	66,268	53	66,584	60,706
Travel	56,360	539	885	57,784	133,016
Pension plan contributions	31,014	12,235	5,380	48,629	23,637
Occupancy	14,354	29,149	1,059	44,562	44,824
Meetings and events	42,957	185	203	43,345	147,098
Computer and software services	31,552	1,360	3,244	36,156	25,337
Employee benefits	16,051	264	6,245	22,560	15,774
Depreciation	16,343	621	3,724	20,688	20,688
Telephone	8,443	4,746	1,332	14,521	10,917
Program materials	12,280	1,090	174	13,544	70,673
Advertising and promotion	4,492	6,965	550	12,007	7,727
Equipment rental and maintenance	1,045	10,860	-	11,905	10,445
Staff training	6,016	1,552	153	7,721	1,523
Dues and subscriptions	5,326	201	837	6,364	9,792
Bank charges	4,113	822	1,398	6,333	10,156
Taxes and licenses	-	991	4,072	5,063	5,015
Office expenses	2,721	78	1,088	3,887	12,149
Insurance	2,491	92	462	3,045	8,421
Bad debt	-	-	-	-	2,899
	$ 2,074,064	$ 399,174	$ 311,062	$2,784,300	$ 2,655,734
2020 Percent of Total Expenses	**74.5%**	**14.3%**	**11.2%**	**100.0%**	
2019 Percent of Total Expenses	**83.7%**	**5.5%**	**10.8%**	**100.0%**	

See Independent Auditor’s Report and accompanying notes, which are an integral part of these financial statements.

RIVER NETWORK
STATEMENTS OF CASH FLOWS
For the years ended September 30, 2020 and 2019

		2020		2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Changes in net assets	$	(183,104)	$	1,005,027
Adjustments to reconcile changes in net assets to net cash provided by operating activities:				
Depreciation		20,688		20,688
Change in operating assets and liabilities:				
Change in grants and contributions receivable		662,950		(678,950)
Change in accounts receivable		27,501		(31,528)
Change in prepaid expense		8,121		(10,547)
Change in security deposit		-		2,800
Change in accounts payable		38,206		14,782
Change in grants payable		32,240		4,160
Change in accrued payroll		112,380		2,482
Change in accrued vacation		11,293		3,741
Net cash provided by operating activities		730,275		332,655
Net increase in cash and cash equivalents		730,275		332,655
Cash and cash equivalents at beginning of year		1,860,892		1,528,237
Cash and cash equivalents at end of year	$	2,591,167	$	1,860,892
Cash reported on Statement of Financial Position:				
Cash and equivalents-unrestricted	$	1,434,649	$	1,518,278
Cash and equivalents-restricted		1,156,518		342,614
Total Cash and Cash Equivalents	$	2,591,167	$	1,860,892

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

River Network (the "Organization) is an Oregon not-for-profit organization founded in March 1988. The Organization 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. The Organization's mission is to empower and unite people and communities to protect and restore rivers and other waters that sustain all life.

The Organization maintains an office in Boulder, Colorado, with staff in field locations including Oregon, Illinois, North Carolina, Maryland, Michigan, Pennsylvania, California and Delaware. River Network has invested in the systems necessary to support such a decentralized team, including online workspaces, virtual conferencing and tight alignment between its strategic plan, annual work plan, and personal objectives for each staff person.

Over the past 32 years, the Organization has accomplished its mission by investing in local efforts and helping advance impact at more significant scales (system, state, regional, national). The Organization 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 training, and conferences to strengthen local efforts; convenes groups for greater impact; and increases the transfer of practical water management solutions. Over 8,500 community groups, nonprofit organizations, governmental entities and tribes are part of its community.

Fiscal Year 2020's efforts were focused on four key issues identified within its current strategic plan which build from its strengths and work to date:

Clean, Safe, Affordable Drinking Water: Some 13.8 million U.S. households (almost 12%) face unaffordable water bills while water utilities struggle to fund maintenance or replacement of aging pipes. We will expand understanding of the causes and circumstances of today's crisis, develop and disseminate new tools, and help identify a common rural and urban agenda that unifies and focuses our collective actions.

Resilient Cities and Communities: Over 12% of the U.S. population is exposed to flood risk, including nearly 170 coastal communities reaching or exceeding the threshold for chronic inundation from rising seas by 2035. Drought is no less of a threat. River Network will provide knowledge, tools, and engagement opportunities to local champions building resilient communities that anticipate risk, limit impact, and recover quickly from disaster.

Healthy Rivers in Agricultural Landscapes: Farmers and ranchers are essential partners in building a thriving agricultural sector that also supports clean water and healthy rivers. Farms, ranches, and rangeland occupy roughly 44% of U.S. land, consume approximately 80% of our water, and are a leading cause of water pollution and water security when improperly managed. Over the next five years, River Network will advance novel partnerships, opportunities to build trust, and identify aligned interests for forward progress.

Robust and Effective Water Laws and Policies: When well-crafted, enforced, and fully funded, water laws and policies at the local, state, and federal level safeguard the health of our rivers and the security of our drinking water. With existing laws and policies under threat, River Network will leverage our network and our influence to defend protections vital to our nation, our children, and our environment.

The strategic plan's key issues and core strategies inform all aspects of the Organization'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, their annual conference (virtual in 2020); 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 are integrated across the structure of functions of the Organization's staff: Leadership Development, Science and Policy, Community Engagement, Finance and Operations, Fundraising and Communications, and Executive. Staff work, together and within and across these functions to fulfill grant and donor obligation and expanded into new mission-driven areas of opportunity. This alignment and cooperation help the Organization to be a highly effective and strategically focused organization.

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less, except those designated for long-term purposes, to be cash equivalents. The Organization's cash and cash equivalents in bank deposit accounts, at times, may exceed federally insured limits. As of September 30, 2020 and 2019, the Organization's cash balances exceeded FDIC insured limits by $2,318,562 and $1,610,392, respectively.

Accounts and Grants and Contributions Receivable

Accounts and grants and contributions receivable, represent amounts due from customers and donors, are stated at amounts estimated by management to be the net realizable value. The Organization periodically evaluates the collectability of accounts and grants and contributions receivable and establishes a reserve for uncollectible accounts based on an evaluation of the specific unpaid account balances. Accounts receivable totaled $68,787 and $96,288 and no allowances against such as of September 30, 2020 and 2019, respectively. Grants and contributions receivable totaled $266,000 and $928,950 and no allowances against such as of September 30, 2020 and 2019, respectively. Bad debt expense totaled $0 and $2,899 for the years ended September 30, 2020 and 2019, respectively.

Property and Equipment

Acquisitions of assets in excess of $5,000 are capitalized at cost. Property and equipment are depreciated using the straight-line method over the assets estimated useful lives which range from 5-7 years. The Company assesses its property and equipment for indications of impairment annually and adjusts the carrying balances if impairments are determined. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restrictions upon acquisition of the assets and the assets are placed in service.

Accrued Compensated Absences

The Organization provides vacation leave to its full-time employees. These are earned based on years of service. Employees can only accrue a maximum number of hours based on their years of service. The maximum amount is 200 hours. If an employee reaches their maximum, they cannot accrue more time until paid time off is used. Upon separation from service, employees are paid for unused vacation leave. Accrued compensated absences as of September 30, 2020 and 2019 were $56,343 and $45,049, respectively.

Grant and Contract Revenue

For all grants and contracts which are considered to be exchange transactions, revenue is recognized as allowable reimbursable expenses are incurred. Cash received in excess of allowable expenses is recorded as deferred revenue, and allowable expenses incurred in excess of cash received are recorded as receivables.

Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

Contributed Services and Other In-Kind Contributions

Contributed services are recorded if they (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A number of volunteers have contributed significant amounts of their time in the Organization's program services but are not recognized as contributions in the financial statements because they do not meet the aforementioned criteria. For the year ended September 30, 2020 there were no in-kind contributions.

Measure of Operation

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, contributions, leasing and other activities considered to be of a more unusual or nonrecurring nature.

New Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. The ASU is effective for annual and interim periods beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. We are continuing to evaluate the impact of this new standard on our financial reporting and disclosures.

Functional Allocation of Expenses

The financial statements report certain expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The shared expenses allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort. Other shared expenses are allocated on a percentage of Staff FTEs (full-time equivalents) across the functional areas.

Income Tax

No provision has been made for income taxes, since the Organization is exempt from Federal income tax pursuant to Internal Revenue Code Section 501(c)(3). There was no unrelated business taxable income during the year. The Organization has not recognized any cumulative adjustment relating to the adoption of FASB ASC Income Tax Topic, nor are there any unrecognized tax benefits to be disclosed as of September 30, 2020. Uncertainty in income taxes for a not-for-profit organization would include the status of its exemption from taxes, status of filings in local jurisdictions, and unrelated business income, if any. The Organization's information return filings for the years 2018 to 2020 remain subject to examination by the Internal Revenue Service.

NOTE 2: FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board ("FASB") guidance specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

> Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded instruments and listed equities.
>
> Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted prices of similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active).
>
> Level 3 – Unobservable inputs for the asset or liability. Financial instruments are considered Level 3 when their fair values are determined using pricing models, discounted cash flows or similar techniques and at least one significant model assumption or input is unobservable.

The carrying amount reported in the statements of financial position approximate their fair value.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2020 and 2019 are summarized as follows:

	2020	**2019**
Land	$ 5,900	$ 5,900
Website	35,351	35,351
Software	97,790	97,790
	139,041	139,041
Accumulated depreciation	(78,330)	(57,642)
Net Property and Equipment	$ 60,711	$ 81,399

Depreciation expense for both the years ended September 30, 2020 and 2019 totaled $20,688.

NOTE 4: LINE OF CREDIT

In June 2018, the Organization secured a $250,000 line of credit collateralized by all business assets, bearing interest at 1.5% over the prime rate, which was 5%. No balance was outstanding under this agreement as of September 30, 2020 and 2019.

NOTE 5: DONOR RESTRICTED NET ASSETS

The following schedule summarizes the balance related to donor restricted net assets:

	2020	2019
River Programs	$ 1,425,018	$ 1,961,999
	$ 1,425,018	$ 1,961,999

NOTE 6: LEASE AGREEMENTS

In December 2017, the Organization entered into a lease with an unrelated party for office space in Boulder, Colorado. The lease term ended in December 2020. The Organization entered into a lease for a copier on May 27, 2015 for 60 months, at a payment of $689 per month, the lease expired in August 2020.

Total lease expense for the years ended September 30, 2020 and 2019 was $44,562 and $44,824, respectively.

NOTE 7: EMPLOYEE RETIREMENT PLAN

The Organization has a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code covering substantially all employees. Under the plan, employees contribute a specified percentage of salary, or a fixed dollar amount, to the plan. The Organization may agree to make a discretionary and "nonelective" contribution to their employees' 403(b) plans. The Organization contributed $48,629 and $23,637 to the retirement plan for the years ended September 30, 2020 and 2019, respectively. All contributions are immediately vested to the employee.

NOTE 8: COMMITMENTS AND CONTINGENCIES

The Organization has received grants from various sources for specific purposes that are subject to review and audit by grantor agencies. Such audits may result in grantor agencies requiring a reimbursement from the Organization for expenditures disallowed by the grant terms.

NOTE 9: CONCENTRATIONS

The Organization has several sources of revenue, of which, the following were over 10% of total revenues for the years ended September 30, 2020 and 2019, representing a concentration risk:

Spring Point: During the year ended September 30, 2020, Spring Point revenue amounted to $410,000 or 16% of total revenues. As of September 30, 2020, there were $206,000 receivables from this donor, representing a concentration of credit risk of the receivables, where this receivable represents 62% of receivables.

Anheuser Busch: During the year ended September 30, 2020, Anheuser Busch revenue amounted to $300,000 or 12% of total revenues.

Walton Family Foundation: During the year ended September 30, 2019, Walton Family Foundation revenue amounted to $523,070 or 14% of total revenues. As of September 30, 2019, there were $253,070 receivables from this donor, representing a concentration of credit risk of the receivables, where this receivable represents 25% of receivables.

Pisces: During the year ended September 30, 2019, Pisces revenue amounted to $450,000 or 12% of total revenues.

Mott Foundation: During the year ended September 30, 2019, Mott Foundation revenue amounted to $400,000 or 11% of total revenues. As of September 30, 2019, there were $190,000 receivables from this donor, representing a concentration of credit risk of the receivables, where this receivable represents 19% of receivables.

NOTE 10: COVID-19

On April 30, 2020, the Organization received a loan of $244,532 from the SBA made available under the Paycheck Protection Program implemented under the CARES Act. The Organization has met all conditions of the loan and has submitted the forgiveness application. During the year ended September 30, 2020, the loan has been converted into grants. The loan has since been forgiven by the SBA.

NOTE 11: LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following where financial assets consist of the Organization’s cash and receivables:

Financial Assets at Year End	$2,925,954
Less: Funds unavailable for general expenditures due to contractual or donor - imposed restrictions (time or purpose)	
Restricted by donor with time or purpose restriction	(1,425,018)
Financial assets available to meet cash needs for general expenditures within one year	$1,500,936

The Organization’s liquidity management plan includes maintaining at least 180 days of budgeted general operating expenses in unrestricted cash. The Organization also has a bank line of credit in place to fund an additional ninety days of general expenditures.

NOTE 12: SUBSEQUENT EVENTS

Management of the Organization has evaluated events and transactions that occurred after the balance sheet date through February 22, 2021, the date the financial statements were available to be issued and has determined that no subsequent events occurred that require recognition or disclosure in these financial statements.