

RIVER NETWORK

Financial Statements and Independent Auditor's Report
September 30, 2022 and 2021

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, 2022 and 2021 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of River Network and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about River Network's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 River Network's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about River Network's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Artesian CPA, LLC

Artesian CPA, LLC
Denver, Colorado
January 31, 2023

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RIVER NETWORK
STATEMENTS OF FINANCIAL POSITION
As of September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and equivalents-unrestricted	\$ 991,794	\$ 1,305,095
Cash and equivalents-restricted	1,380,038	1,096,451
Accounts receivable	217,340	200,077
Grants and contributions receivable	600,000	282,750
Prepaid expense	-	23,259
Security deposit	-	2,367
Total Current Assets	<u>3,189,172</u>	<u>2,909,999</u>
Property and Equipment:		
Property and equipment, net	<u>32,653</u>	<u>47,093</u>
Total Property and Equipment	<u>32,653</u>	<u>47,093</u>
Other Assets:		
River Network Endowment Fund	<u>500,000</u>	<u>-</u>
Total Other Assets	<u>500,000</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 3,721,825</u>	<u>\$ 2,957,092</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 94,437	\$ 87,926
Grants payable	34,438	61,382
Accrued payroll	39,126	29,895
Accrued vacation	55,360	64,191
Deferred revenue	-	-
Total Liabilities	<u>223,361</u>	<u>243,394</u>
Net Assets:		
Without donor restrictions	1,018,425	1,322,247
With donor restrictions	<u>2,480,039</u>	<u>1,391,451</u>
Total Net Assets	<u>3,498,464</u>	<u>2,713,698</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,721,825</u>	<u>\$ 2,957,092</u>

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, 2022 and 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating Activities:				
Revenues and Support:				
Foundation grants and contributions	\$ 138,496	\$ 1,575,627	\$ 1,714,123	\$ 1,289,000
Government grants and contributions	571,984	-	571,984	569,727
Individual and small business contributions	234,136	700,000	934,136	438,110
Annual River Rally registration fees and sales, net of scholarships of \$53,980 and \$38,824, as of September 30, 2022 and 2021, respectively	142,006	-	142,006	30,286
Corporate grants and contributions	127,849	881,000	1,008,849	434,000
Fees for services	63,281	-	63,281	25,638
Membership dues	33,100	-	33,100	33,790
Other income	332	-	332	-
Net assets released from restrictions	2,068,039	(2,068,039)	-	-
Total Revenues and Support	3,379,223	1,088,588	4,467,811	2,820,551
Expenses:				
Program services	3,040,269	-	3,040,269	2,168,904
Supporting services:				
Management and general	379,517	-	379,517	374,497
Fundraising	263,789	-	263,789	236,017
Total Expenses	3,683,575	-	3,683,575	2,779,418
Change in net assets from operating activities	(304,352)	1,088,588	784,236	41,133
Non-Operating Activities:				
Interest income	530	-	530	954
Change in net assets	(303,822)	1,088,588	784,766	42,087
Net assets at beginning of year	1,322,247	1,391,451	2,713,698	2,671,611
Net assets at end of year	\$ 1,018,425	\$ 2,480,039	\$ 3,498,464	\$ 2,713,698

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, 2022 and 2021

	2022			2021	
	Program Services	Supporting Services		Total	Total
	Program Services	Management and General	Fundraising	Expenses	Expenses
Salaries and wages	\$ 1,234,854	\$ 136,945	\$ 205,969	\$ 1,577,768	\$ 1,342,769
Grants	586,882	-	-	586,882	457,429
Other professional fees	470,185	32,381	11,068	513,634	462,475
Meetings and events	309,120	-	100	309,220	7,051
Accounting fees	7,081	112,110	1,133	120,324	118,329
Payroll taxes	88,660	8,027	14,436	111,123	114,681
Travel	104,920	1,037	885	106,842	15,436
Program materials	85,434	717	921	87,072	48,867
Pension plan contributions	43,828	8,567	7,223	59,618	52,521
Computer and software services	23,245	18,935	2,891	45,071	31,681
Occupancy	2,093	29,982	1,200	33,275	23,248
Employee benefits	23,213	5,204	2,632	31,049	20,196
Advertising and promotion	18,741	203	3,500	22,444	12,641
Depreciation	-	14,440	-	14,440	13,618
Telephone	10,848	924	1,716	13,488	13,494
Dues and subscriptions	7,730	2,728	1,801	12,259	13,162
Bank charges	6,613	627	2,126	9,366	6,089
Office expenses	5,188	832	619	6,639	6,163
Insurance	4,172	359	668	5,199	7,665
Equipment	-	4,837	-	4,837	-
Taxes and licenses	-	476	4,037	4,513	4,996
Staff training	3,502	-	864	4,366	6,907
Bad debt	3,960	186	-	4,146	-
	<u>\$ 3,040,269</u>	<u>\$ 379,517</u>	<u>\$ 263,789</u>	<u>\$ 3,683,575</u>	<u>\$ 2,779,418</u>

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 784,766	\$ 42,087
Adjustments to reconcile changes in net assets to net cash provided by/(used in) operating activities:		
Depreciation	14,440	13,618
Bad debt expense	4,146	-
Change in operating assets and liabilities:		
Change in grants and contributions receivable	(317,250)	(16,750)
Change in accounts receivable	(21,409)	(131,290)
Change in prepaid expense	23,259	(18,833)
Change in security deposit	2,367	764
Change in accounts payable	6,511	129
Change in grants payable	(26,944)	14,982
Change in accrued payroll	9,231	(102,177)
Change in accrued vacation	(8,831)	7,849
Change in deferred revenue	-	-
Net cash provided by/(used in) operating activities	<u>470,286</u>	<u>(189,621)</u>
Net increase/(decrease) in cash and cash equivalents	470,286	(189,621)
Cash and cash equivalents at beginning of year	<u>2,401,546</u>	<u>2,591,167</u>
Cash and cash equivalents at end of year	<u>\$ 2,871,832</u>	<u>\$ 2,401,546</u>
Cash reported on Statement of Financial Position:		
Cash and equivalents-unrestricted	\$ 991,794	\$ 1,305,095
Cash and equivalents-restricted	1,380,038	1,096,451
River Network Endowment Fund	<u>500,000</u>	<u>-</u>
Total Cash and Cash Equivalents	<u>\$ 2,871,832</u>	<u>\$ 2,401,546</u>

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

RIVER NETWORK

NOTES TO FINANCIAL STATEMENTS

As of September 30, 2022 and 2021 and for the years then ended

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 North Carolina, Maryland, Michigan, Pennsylvania, Utah, Tennessee 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 33 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 2022’s efforts were focused on four key issues identified within its current strategic plan (2018-2022) in addition to leadership development and data to action:

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.

RIVER NETWORK

NOTES TO FINANCIAL STATEMENTS

As of September 30, 2022 and 2021 and for the years then ended

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 priorities noted above and their integration and intersection with equity, diversity, and inclusion, provide a focus for River Network's production and delivery of tools, training, mentoring, and financial assistance to help leaders, organizations, and coalitions expand their impact as well as sharpen what River Network shares via their website, monthly e-newsletter River Voices, the River Rally conference (held in Washington, D.C. in 2022) webinars, workshops, and peer exchanges, and one-on-one mentoring, consulting and engagement.

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

See accompanying Independent Auditor's Report

RIVER NETWORK

NOTES TO FINANCIAL STATEMENTS

As of September 30, 2022 and 2021 and for the years then ended

accounts, at times, may exceed federally insured limits. As of September 30, 2022 and 2021, the Organization's cash balances exceeded FDIC insured limits by \$2,004,799 and \$2,136,485, 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 \$217,340 and \$200,077 and no allowances against such as of September 30, 2022 and 2021, respectively. Grants and contributions receivable totaled \$600,000 and \$282,750 and no allowances against such as of September 30, 2022 and 2021, respectively. Bad debt expense totaled \$4,146 and \$0 for the years ended September 30, 2022 and 2021, 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, 2022 and 2021 were \$55,360 and \$64,191, 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.

RIVER NETWORK

NOTES TO FINANCIAL STATEMENTS

As of September 30, 2022 and 2021 and for the years then ended

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, 2022 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, 2021, including interim periods within those fiscal years. Early adoption is permitted.

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. All other expenses are allocated based on the specific identification method.

Reclassification

Certain comparative figures have been reclassified to conform to the current year presentation.

RIVER NETWORK

NOTES TO FINANCIAL STATEMENTS

As of September 30, 2022 and 2021 and for the years then ended

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, 2022. 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 2020 to 2022 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, 2022 and 2021 are summarized as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 5,900	\$ 5,900
Website	35,351	35,351
Software	97,790	97,790
	<u>139,041</u>	<u>139,041</u>
Accumulated depreciation	<u>(106,388)</u>	<u>(91,948)</u>
Net Property and Equipment	<u>\$ 32,653</u>	<u>\$ 47,093</u>

See accompanying Independent Auditor's Report

RIVER NETWORK
NOTES TO FINANCIAL STATEMENTS
As of September 30, 2022 and 2021 and for the years then ended

Depreciation expense for both the years ended September 30, 2022 and 2021 totaled \$14,440 and \$13,618, respectively.

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, 2022 and 2021.

NOTE 5: DONOR RESTRICTED NET ASSETS

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

	<u>2022</u>	<u>2021</u>
River Network Endowment Fund	\$ 500,000	\$ -
River Programs	1,980,039	1,391,451
	<u>\$2,480,039</u>	<u>\$ 1,391,451</u>

NOTE 6: LEASE AGREEMENTS

On December 6, 2020, the Organization entered into a 3-month lease with an opportunity for renewal with an unrelated party for office space in Boulder, Colorado, with monthly rent payments of \$1,600. At the request of the Organization, the terms of this lease are valid through December 2023.

Total lease expense for the years ended September 30, 2022 and 2021 was \$33,275 and \$23,248, 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 \$59,618 and \$52,251 to the retirement plan for the years ended September 30, 2022 and 2021, 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, 2022 and 2021, representing a concentration risk:

See accompanying Independent Auditor’s Report

RIVER NETWORK

NOTES TO FINANCIAL STATEMENTS

As of September 30, 2022 and 2021 and for the years then ended

Walton Family Foundation: During the year ended September 30, 2022, Walton Family Foundation revenue amounted to \$750,000 or 17% of total revenues. As of September 30, 2022, there were \$400,000 receivables from this donor, representing a concentration of credit risk of the receivables, where this receivable represents 49% of receivables.

Moore Family Foundation: During the year ended September 30, 2022, Moore Family Foundation revenue amounted to \$553,473 or 12% of total revenues.

Coca Cola: During the year ended September 30, 2022, Coca Cola revenue amounted to \$495,557 or 11% of total revenues.

Kresge Foundation: As of September 30, 2022, there were \$130,000 receivables from this donor, representing a concentration of credit risk of the receivables, where this receivable represents 16% of receivables.

Mott Foundation: During the year ended September 30, 2021, Mott Foundation revenue amounted to \$400,000 or 14% of total revenues.

Penn Foundation: During the year ended September 30, 2021, Penn Foundation revenue amounted to \$300,000 or 11% of total revenues.

NOTE 10: COVID-19

On May 13, 2021, the Organization received a \$123,250 Employee Retention Credit from the Internal Revenue Service under the Infrastructure Investment Jobs Act. The credit was recorded as a reduction to salaries and wages in the statement of functional expenses.

NOTE 11: ENDOWMENT

General

The Organization's Endowment Fund was established by action of the Board of Directors (the "Board") to be maintained in perpetuity. The Endowment Fund consists of donations with donor-imposed permanent restrictions. The earnings on endowment funds may be established for either specific purposes or general operating use subject to any donor instructions. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the net assets with donor restrictions and (b) the original value of subsequent gifts to be held in perpetuity. The investment amount reflected in net assets with donor restrictions is adjusted for the annual appreciation or depreciation and distribution of the funds held by Schwab.

See accompanying Independent Auditor's Report

RIVER NETWORK
NOTES TO FINANCIAL STATEMENTS
As of September 30, 2022 and 2021 and for the years then ended

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund
- (1) The purposes of the Organization and the donor-restricted endowment fund
 - (2) General economic conditions
 - (3) The possible effect of inflation and deflation
 - (4) The expected total return from income and the appreciation of investments
 - (5) Other resources of the Organization
 - (6) The investment policies of the Organization

Return Objective and Risk Parameters

The Organization follows the investment and spending policies adopted by the Board of Directors for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Investments include those assets of donor-restricted funds that the Foundation must hold in perpetuity.

Balance, October 1, 2021	\$ -
Contributions	500,000
Distributions	-
Fees	-
Total gains and losses	-
Endowment net assets September 30, 2022	<u>\$ 500,000</u>

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives, the Organization relies on the adopted investment policy and strategy which strive to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The principal balance of the Endowment may not be used. The Endowment Funds shall be invested with the objective of preserving the long-term real purchasing power of the Fund's assets while realizing appropriate investment income. Investment income can be used by the Organization for operating needs. Endowment Fund assets may be invested more aggressively than other fund types to maximize investment income, but also within alignment with River Network's risk tolerance. River Network's current risk tolerance is low to moderate: The asset allocation of the Endowment Fund shall reflect a proper balance of such Fund's investment objective, tolerance standard and need for liquidity. The primary objectives for investing Endowment Fund are safety and yield.

RIVER NETWORK
NOTES TO FINANCIAL STATEMENTS
As of September 30, 2022 and 2021 and for the years then ended

NOTE 12: 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	\$ 3,689,172
Less: Funds unavailable for general expenditures due to contractual or donor - imposed restrictions (time or purpose)	
River Network Endowment Program	(500,000)
Restricted by donor with time or purpose restriction	<u>(1,980,039)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,709,133</u></u>

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 13: SUBSEQUENT EVENTS

Management's Evaluation

Management of the Organization has evaluated events and transactions that occurred after the balance sheet date through January 31, 2023, 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.

Key Personnel

In June of 2022, River Network's Executive Director, Nicole Silk, left her position with River Network. The board has engaged additional consulting services while it conducts a national search. The board expects the position to be filled during the 2023 fiscal year and anticipates no major changes to the organization's operations during the transition.