

**JAMES RIVER ASSOCIATION**  
**FINANCIAL STATEMENTS**  
**Year Ended June 30, 2010**

# Gregory Associates, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

May 9, 2011

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
James River Association  
Richmond, Virginia

We have audited the accompanying statement of assets, liabilities, and net assets-modified cash basis of James River Association (a not-for-profit organization) as of June 30, 2010, and the related statement of revenue, expenses, and changes in net assets-modified cash basis for the year then ended. These financial statements are the responsibility of the Association's management. 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 of material misstatement. 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.

As described in note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of James River Association as of June 30, 2010, and its support, revenue, expenses and other changes in net assets for the year then ended, on the basis of accounting described in note 1.



Arlen S. Gregory, C.P.A. • Joan D. Clarke, C.P.A. • Wayne L. Edmunds, C.P.A. • Donald R. Lawton, Jr., C.P.A.

MEMBERS - AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • VIRGINIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 1156 • Petersburg, Virginia • 23804-1156 • (804) 733-4511

**JAMES RIVER ASSOCIATION**  
**STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS**  
**MODIFIED CASH BASIS**  
**June 30, 2010**

**ASSETS:**

Cash and cash equivalents	\$ 663,360
Property, equipment and software (net of accumulated amortization and depreciation of \$154,629)	43,721
Investments in marketable securities (cost \$738,868)	792,326
Land	81,700
Security deposits	<u>1,875</u>
 <b><u>Total Assets</u></b>	 <b><u>\$ 1,582,982</u></b>

**LIABILITIES:**

Sales tax liability	35
Payroll withholdings	<u>721</u>
 <b><u>Total Liabilities</u></b>	 <b><u>\$ 756</u></b>

**NET ASSETS:**

Unrestricted	\$ 715,800
Temporarily restricted	70,883
Permanently restricted	<u>795,543</u>
 <b><u>Total Net Assets</u></b>	 <b><u>\$ 1,582,226</u></b>
 <b><u>Total Liabilities and Net Assets</u></b>	 <b><u>\$ 1,582,982</u></b>

See accompanying notes and accountant's report.

**JAMES RIVER ASSOCIATION**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS**  
**MODIFIED CASH BASIS**  
**Year Ended June 30, 2010**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<b><u>OPERATING REVENUE:</u></b>				
Membership fees and contributions	\$ 291,314	\$ -	\$ -	\$ 291,314
Program revenue:				
Grants		621,998		621,998
Contributions	73,000			73,000
Fees for services	21,014			21,014
Event registrations and miscellaneous	10,328			10,328
Other grants				
Special events (includes contributions and memberships of \$34,597)	150,720			150,720
Product sales (net of cost of \$347)	1,447			1,447
Miscellaneous	1,840			1,840
Investment income	5,252	36,022	-	41,274
<b><u>Total Operating Revenue</u></b>	<b><u>\$ 554,915</u></b>	<b><u>\$ 658,020</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,212,935</u></b>
<b><u>OPERATING EXPENSES:</u></b>				
Program services	\$ 979,206	\$ -	\$ -	\$ 979,206
Management and general	149,534			149,534
Fund raising	175,595	-	-	175,595
<b><u>Total Operating Expenses</u></b>	<b><u>\$ 1,304,335</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,304,335</u></b>
<b><u>OPERATIONS SUBTOTAL</u></b>	<b><u>\$ (749,420)</u></b>	<b><u>\$ 658,020</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (91,400)</u></b>
<b><u>TRANSFERS, ADJUSTMENTS AND AMOUNTS RELEASED FROM RESTRICTIONS</u></b>				
	873,411	(873,411)	-	-
<b><u>CHANGE IN NET ASSETS FROM OPERATIONS</u></b>	<b><u>\$ 123,991</u></b>	<b><u>\$ (215,391)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (91,400)</u></b>
<b><u>ADD:</u></b> Contribution to endowment	-	-	25,000	25,000
<b><u>ADD:</u></b> Net realized and unrealized gain on marketable securities	-	-	52,956	52,956
<b><u>CHANGE IN NET ASSETS</u></b>	<b><u>\$ 123,991</u></b>	<b><u>\$ (215,391)</u></b>	<b><u>\$ 77,956</u></b>	<b><u>\$ (13,444)</u></b>
<b><u>NET ASSETS AT BEGINNING OF YEAR</u></b>	<b><u>591,809</u></b>	<b><u>286,274</u></b>	<b><u>717,587</u></b>	<b><u>1,595,670</u></b>
<b><u>NET ASSETS AT END OF YEAR</u></b>	<b><u>\$ 715,800</u></b>	<b><u>\$ 70,883</u></b>	<b><u>\$ 795,543</u></b>	<b><u>\$ 1,582,226</u></b>

See accompanying notes and accountant's report.

**JAMES RIVER ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**MODIFIED CASH BASIS**  
**Year Ended June 30, 2010**

SCHEDULE 1

	<b>Supporting Services</b>			<b>Total</b>
	<b>Program Services</b>	<b>Management and General</b>	<b>Fund Raising</b>	
Contractors	\$ 178,302	\$ -	\$ -	\$ 178,302
Credit card and miscellaneous fees	6,082			6,082
Depreciation and amortization	38,750	1,849	1,234	41,833
Dues and subscriptions	367	-	474	841
Employee benefits	31,441	8,085	5,390	44,916
Insurance	16,721	3,344	2,229	22,294
Meeting expenses - board/committees	2,461	7,577	786	10,824
Occupancy	29,375	5,936	3,958	39,269
Postage and office	16,558	3,312	2,208	22,077
Printing, publications and advertising	59,461	6,219	6,219	71,899
Professional fees	77,986	15,597	62,388	155,971
Program expenditures	110,237	-	23,114	133,351
Salaries and wages	340,657	87,597	58,398	486,652
Staff development	4,798	473	316	5,587
Taxes - payroll and other	27,190	6,992	4,661	38,843
Technology	7,685	1,571	1,047	10,305
Telephone and utilities	7,920	982	655	9,556
Travel and meals	23,215	-	2,518	25,733
<b><u>Totals</u></b>	<b><u>\$ 979,206</u></b>	<b><u>\$ 149,534</u></b>	<b><u>\$ 175,595</u></b>	<b><u>\$ 1,304,335</u></b>

See accountant's report.

## JAMES RIVER ASSOCIATION

### NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NATURE OF THE ASSOCIATION:** The James River Association (the "Association") is a Virginia not-for-profit organization dedicated to the preservation and conservation of the James River. The stated mission of the Association is to be guardian of the James River. The Association operates four principal programs: Advocacy, Education and Outreach, the James Riverkeeper, and Watershed Restoration.

The Association is exempt from the imposition of Federal income tax under the provisions of Section 501 ( c ) ( 3 ) of the Internal Revenue Code and is classified as an organization that is not a private foundation qualifying for the 50% charitable contribution deduction for individual donors.

**BASIS OF PRESENTATION:** The Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The Association reports its financial position and results of operations on a modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. Revenues and related assets are recognized when received rather than when earned. Expenses are recognized when paid rather than when the obligation is incurred.

The principal modifications to the cash basis of accounting are capitalization (with depreciation) of property and equipment, recognition of in-kind charitable contributions, and reporting of investments at fair value, including unrealized gains and losses.

**Cash and cash equivalents** include cash on hand, certificates of deposit, and cash on deposit at banks in checking, savings, and money market accounts and cash deposited in money market investment accounts.

**Costs of providing various programs and other activities** are summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Program services are activities designed to fulfill the Association's stated mission. Management and general services are activities relating to management of the Association, including general oversight, management, and recordkeeping. Fund raising activities include the cost to maintain donor lists and the cost of special events and fund raising campaigns. Accordingly, certain costs are allocated among the programs and supporting services benefited.

**Contributions.** Unless specific donor restrictions are present, contributions are recorded as unrestricted support. Contributions with donor imposed restrictions of a nonpermanent nature with either a time restriction or a specific purpose restriction are recorded as temporarily restricted support. Upon removal or expiration of a donor restriction, temporarily restricted net assets are reclassified as unrestricted net assets. Contributions with donor restrictions that cannot be fulfilled, expire, or otherwise be removed by action of the Association are recorded as permanently restricted support.

Contributed marketable securities and other in-kind donations are recorded at their estimated fair value at the date of donation. Contributions of in-kind property items to be sold at the annual Westover Lawn Party are recorded at the realized sale price as special events income.

Volunteer contributions of services involving specialized skill which would otherwise be purchased by the Association are recorded as support and expenditure at the estimated fair value. Volunteer contributions of unskilled services that do not involve specialized skill are not recorded as support and expenditure.

**Investments** in marketable securities with readily determined fair values and all debt securities are carried at fair values in the financial statements. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

**Property and equipment** expenditures are capitalized and recorded at cost. **Depreciation** is computed using straight-line and accelerated methods with estimated useful lives of three to seven years.

#### **NOTE 2 – ESTIMATES:**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, revenues, and expenses. Actual results could differ from those estimates.

#### **NOTE 3 – CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS:**

Effective, October 3, 2008, the Federal Deposit Insurance Corporation (“FDIC”) increased the FDIC insurance limits from \$100,000 to \$250,000 per depositor. The FDIC insurance limit of \$250,000 per depositor was scheduled to remain in effect through December 31, 2013. On January 1, 2014, the limit was scheduled to return to \$100,000 per depositor.

On July 21, 2010, President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act, which permanently raises the standard maximum deposit insurance amount to \$250,000. On November 9, 2010, the FDIC issued a final rule providing for unlimited insurance coverage of noninterest bearing transaction accounts.

At June 30, 2010, the Association maintained no bank accounts in excess of \$250,000.

In addition, the Association maintained a money market account and insured deposit account with a net balance of \$5,157. These accounts are not insured by the Federal Deposit Insurance Corporation.

**NOTE 4 – AFFILIATED ORGANIZATION:**

Under an informal agreement with the James River Parks System of the City of Richmond, the Association manages a bank account for the Parks System. Donations to the Parks System are deposited into the account and disbursements are made from the account on behalf of the Parks System. The June 30, 2010 bank account balance of \$16,871 is not reflected on the balance sheet.

**NOTE 5 – SIMPLE PLAN:**

The Association maintains a Savings Incentive Match Plan for Employees (“SIMPLE”) retirement plan, under which the Association will match employee elective deferrals up to 3% of a covered employee’s compensation. For the year ended June 30, 2010, the Association contributed \$23,500 under the plan. Contributions by the Association are reported on the financial statements as employee benefits.

**NOTE 6 – TEMPORARILY RESTRICTED ASSETS:**

The Association has temporarily restricted net assets at June 30, 2010 of \$70,833, consisting principally of funds received for programs scheduled for the year to end June 30, 2011.

**NOTE 7 – PERMANENTLY RESTRICTED ASSETS (KIRBY FUND):**

The Association has received cumulative cash contributions from the F.M. Kirby Foundation, Inc. and the Guilford Foundation, Inc., for the creation of an endowment fund designated the Kirby Fund. Fund assets are invested in money market funds, treasury bills, and marketable securities.

The Association has agreed to limit withdrawals to interest and dividend income only, to be used for executive operating expenditures. Unexpended interest and dividend income does not become a part of the restricted endowment balance. The restricted endowment balance is, however, adjusted by realized and unrealized gains and losses of Kirby Fund assets.

**NOTE 8 – LEASE COMMITMENT:**

Under an office lease dated August 14, 2007, the Association rents office space located in the City of Richmond, Virginia. The lease term is five years commencing on August 14, 2007 and ending on August 13, 2012. New payment amounts were negotiated during 2010 and the monthly payment increased to \$2,268.75 effective February, 2010.

The Association leases parking spaces on a month-to-month basis at a June 30, 2010 rate of \$660 per month for use of Association employees and visitors; storage space at a rate of \$70 per month at a mini-storage facility.

Total rent payments for the year ended June 30, 2010 were \$39,269.

**NOTE 9 – INVESTMENTS IN MARKETABLE SECURITIES:**

Accounting standards establish a three level fair value hierarchy for the measurement of fair value for investments. The three levels of the fair value hierarchy are set out below.

- |         |  |
|---------|--|
| Level 1 | Unadjusted quoted prices for the identical assets or liabilities in active markets.  |
| Level 2 | Includes <ul style="list-style-type: none"><li>• Quoted prices for similar assets or liabilities in active markets;</li><li>• Quoted prices for identical assets or liabilities in inactive markets</li><li>• Prices that are observable for the asset or liability;</li><li>• Prices that are derived principally from or corroborated by observable market data by correlation or other means.</li></ul> |
| Level 2 | Prices that are unobservable and significant to the fair value measurement.  |

All investments of the Association held at June 30, 2010 are Level 1 investments valued at the closing price reported on the active markets on which the individual securities are traded.

The Association's investments at June 30, 2010 are summarized below:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Equities	\$ 546,152	\$ 584,707	\$ 38,556
Fixed income securities	<u>192,716</u>	<u>207,619</u>	<u>14,902</u>
	<u>\$ 738,868</u>	<u>\$ 792,326</u>	<u>\$ 53,458</u>

**NOTE 10 – GIFT IN-KIND OF REAL ESTATE:**

In 2002, the Association received an in-kind contribution of six acres of undeveloped real estate located on the James River in Prince George County, Virginia. The appraisal value of the property was \$300,000. The Association valued the gift at the tax assessment of \$81,700, ignoring potential commercial value or use. The Association expects to maintain the property in its natural undeveloped state.

**NOTE 11 – CONSERVATION EASEMENTS:**

The Association is the holder or co-holder of easements received pursuant to the Virginia Conservation Easement Act establishing perpetual conservation easements exclusively for the purpose of conserving and forever maintaining wildlife habitat, agriculture resource base, scenic character, and open space character of the subject property. Easements are held in the Counties of Charles City, Goochland, James City, Powhatan, and Price George, Virginia. The Association has opted not to attach a monetary value to these conservation easements, and accordingly, they are not recorded as assets on the statement of assets, liabilities, and net assets.