

American Rivers, Inc.

Financial and Compliance Report
June 30, 2023

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RSM US LLP

Independent Auditor's Report

Board of Directors
American Rivers, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of American Rivers, Inc. (American Rivers), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of American Rivers as of June 30, 2023 and 2022, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 American Rivers and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, American Rivers adopted Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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 American Rivers' ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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 GAAS and *Government 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 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 GAAS and *Government 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 American Rivers' 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 American Rivers' 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 audits 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 of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2024, on our consideration of American Rivers' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of American Rivers' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering American Rivers' internal control over financial reporting and compliance.

RSM US LLP

Washington, D.C.
February 5, 2024

American Rivers, Inc.

Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 7,666,484	\$ 9,501,243
Accounts receivable, net:		
Billed	1,269,381	797,417
Unbilled	1,616,075	1,553,856
Grants and promises to give, net	4,870,770	2,634,689
Prepaid expenses and other current assets	310,127	321,928
Property and equipment, net	89,886	57,876
Investments	1,090,479	982,979
Investments held for endowment	2,877,649	2,704,164
Right-of-use assets—operating	1,585,888	-
	<u>1,585,888</u>	<u>-</u>
Total assets	\$ 21,376,739	\$ 18,554,152
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,088,724	\$ 1,033,175
Accrued salaries and related benefits	776,363	695,292
Deferred revenue and refundable advances	585,690	721,197
Charitable gift annuities	180,933	183,323
Deferred rent	-	356,993
Lease liabilities—operating	1,881,074	-
Deposits payable	-	63
Total liabilities	4,512,784	2,990,043
Commitments and contingencies (Notes 9 and 10)		
Net assets:		
Without donor restrictions:		
Undesignated	2,028,816	3,299,917
Board-designated—reserve fund	979,310	867,506
Total net assets without donor restrictions	3,008,126	4,167,423
With donor restrictions	13,855,829	11,396,686
Total net assets	16,863,955	15,564,109
Total liabilities and net assets	\$ 21,376,739	\$ 18,554,152

See notes to the financial statements.

American Rivers, Inc.

Statements of Activities
Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:						
State and local grants	\$ 2,802,188	\$ 30,500	\$ 2,832,688	\$ 1,656,390	\$ -	\$ 1,656,390
Foundation grants	1,321,897	6,483,802	7,805,699	698,201	4,937,663	5,635,864
Contributions	3,594,720	1,715,201	5,309,921	4,485,533	2,372,956	6,858,489
Federal grants	1,625,610	-	1,625,610	1,305,166	-	1,305,166
Membership	1,503,235	-	1,503,235	1,453,016	-	1,453,016
Program service contracts	940,337	-	940,337	941,937	-	941,937
Corporate donations	411,669	17,300	428,969	344,753	92,343	437,096
Other	129,361	1,060,301	1,189,662	125,377	151,250	276,627
Investment income (loss), net	202,559	295,066	497,625	(85,524)	(348,795)	(434,319)
Net assets released from restrictions	7,143,027	(7,143,027)	-	6,627,402	(6,627,402)	-
Total revenue, gains and other support	19,674,603	2,459,143	22,133,746	17,552,251	578,015	18,130,266
Expenses:						
Program services:						
Restore damaged rivers and waters	11,094,966	-	11,094,966	8,437,070	-	8,437,070
Mobilize river and water movement	2,105,481	-	2,105,481	1,604,243	-	1,604,243
Protect healthy rivers	1,282,971	-	1,282,971	1,116,904	-	1,116,904
Total program expenses	14,483,418	-	14,483,418	11,158,217	-	11,158,217
Supporting services:						
Fundraising	3,844,116	-	3,844,116	2,883,291	-	2,883,291
Management and general	2,490,471	-	2,490,471	2,257,155	-	2,257,155
Total supporting expenses	6,334,587	-	6,334,587	5,140,446	-	5,140,446
Total expenses	20,818,005	-	20,818,005	16,298,663	-	16,298,663
Change in net assets before other item	(1,143,402)	2,459,143	1,315,741	1,253,588	578,015	1,831,603
Other item:						
Change in value of charitable gift annuities	(15,895)	-	(15,895)	(23,944)	-	(23,944)
Change in net assets	(1,159,297)	2,459,143	1,299,846	1,229,644	578,015	1,807,659
Net assets:						
Beginning	4,167,423	11,396,686	15,564,109	2,937,779	10,818,671	13,756,450
Ending	\$ 3,008,126	\$ 13,855,829	\$ 16,863,955	\$ 4,167,423	\$ 11,396,686	\$ 15,564,109

See notes to the financial statements.

American Rivers, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2023**

	Program Services				Supporting Services			
	Restore Damaged Rivers and Waters	Mobilize River and Water Movement	Protect Healthy Rivers	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
Professional services	\$ 5,200,832	\$ 542,448	\$ 139,070	\$ 5,882,350	\$ 571,881	\$ 119,622	\$ 691,503	\$ 6,573,853
Salaries	2,974,706	840,380	617,049	4,432,135	1,325,529	1,137,021	2,462,550	6,894,685
Other employee benefits	962,391	278,018	205,704	1,446,113	435,302	378,293	813,595	2,259,708
Grants	873,998	9,500	111,850	995,348	-	-	-	995,348
Rent and occupancy	124,308	87,227	26,544	238,079	155,179	285,985	441,164	679,243
Payroll taxes	260,275	75,189	55,632	391,096	117,726	102,308	220,034	611,130
Postage and mailing	2,766	14,694	874	18,334	351,852	11,016	362,868	381,202
Printing and publications	27,271	57,347	8,810	93,428	473,960	4,161	478,121	571,549
Supplies	52,523	45,195	6,492	104,210	59,839	176,275	236,114	340,324
Retirement plan	85,470	24,691	18,269	128,430	38,659	33,596	72,255	200,685
Legal services	37,187	1,191	3,148	41,526	-	-	-	41,526
Other	9,757	1,473	877	12,107	682	40,919	41,601	53,708
Travel	309,759	64,489	56,757	431,005	90,470	24,783	115,253	546,258
Telecommunications	8,727	4,596	3,049	16,372	7,840	32,103	39,943	56,315
Conferences and meetings	149,313	45,350	28,058	222,721	25,967	67,348	93,315	316,036
Accounting fees	-	-	-	-	-	58,734	58,734	58,734
Equipment rental and maintenance	6,783	4,372	550	11,705	7,796	13,911	21,707	33,412
Depreciation and amortization	8,900	9,321	238	18,459	3,384	4,396	7,780	26,239
Professional fundraising fees	-	-	-	-	178,050	-	178,050	178,050
	\$ 11,094,966	\$ 2,105,481	\$ 1,282,971	\$ 14,483,418	\$ 3,844,116	\$ 2,490,471	\$ 6,334,587	\$ 20,818,005

See notes to the financial statements.

American Rivers, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2022**

	Program Services				Supporting Services			
	Restore Damaged Rivers and Waters	Mobilize River and Water Movement	Protect Healthy Rivers	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
Professional services	\$ 3,369,721	\$ 376,222	\$ 196,460	\$ 3,942,403	\$ 403,418	\$ 141,237	\$ 544,655	\$ 4,487,058
Salaries	2,527,075	654,766	462,297	3,644,138	1,088,987	1,042,561	2,131,548	5,775,686
Other employee benefits	858,069	223,646	157,941	1,239,656	371,388	356,764	728,152	1,967,808
Grants	833,152	48,000	107,799	988,951	-	-	-	988,951
Rent and occupancy	207,839	93,874	26,984	328,697	135,916	265,783	401,699	730,396
Payroll taxes	226,497	59,041	41,696	327,234	98,035	94,175	192,210	519,444
Postage and mailing	2,010	4,482	323	6,815	290,232	5,884	296,116	302,931
Printing and publications	12,087	52,680	8,275	73,042	285,108	4,222	289,330	362,372
Supplies	37,778	27,387	8,051	73,216	59,837	154,175	214,012	287,228
Retirement plan	77,052	20,085	14,184	111,321	33,351	32,038	65,389	176,710
Legal services	53,635	-	8,160	61,795	-	3,430	3,430	65,225
Other	4,417	840	1,255	6,512	2,562	38,649	41,211	47,723
Travel	129,382	22,114	49,599	201,095	55,782	13,684	69,466	270,561
Telecommunications	19,128	7,944	4,189	31,261	11,469	29,801	41,270	72,531
Conferences and meetings	65,750	8,536	29,045	103,331	21,962	15,490	37,452	140,783
Accounting fees	-	-	-	-	-	46,700	46,700	46,700
Equipment rental and maintenance	6,021	2,776	388	9,185	4,014	8,644	12,658	21,843
Depreciation and amortization	7,457	1,850	258	9,565	2,675	3,918	6,593	16,158
Professional fundraising fees	-	-	-	-	18,555	-	18,555	18,555
	<u>\$ 8,437,070</u>	<u>\$ 1,604,243</u>	<u>\$ 1,116,904</u>	<u>\$ 11,158,217</u>	<u>\$ 2,883,291</u>	<u>\$ 2,257,155</u>	<u>\$ 5,140,446</u>	<u>\$ 16,298,663</u>

See notes to the financial statements.

American Rivers, Inc.

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 1,299,846	\$ 1,807,659
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	26,239	16,158
Amortization of right-of-use assets—operating	483,250	-
Realized and unrealized (gain) loss on investments	(340,006)	489,368
Change in value of charitable gift annuities	15,895	23,944
Deferred rent	-	(51,362)
Proceeds from contributions restricted for long-term purposes	-	(486,598)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable—billed	(471,964)	1,054,434
Accounts receivable—unbilled	(62,219)	(98,368)
Grants and promises to give	(2,236,081)	(495,880)
Prepaid expenses and other current assets	11,801	(113,024)
Increase (decrease) in:		
Accounts payable and accrued expenses	55,549	(2,169,629)
Accrued salaries and related benefits	81,071	30,713
Deferred revenue and refundable advances	(135,507)	(1,312,061)
Charitable gift annuities	(18,285)	3,579
Lease liabilities—operating	(545,057)	-
Deposits payable	(63)	(3,500)
Net cash used in operating activities	(1,835,531)	(1,304,567)
Cash flows from investing activities:		
Proceeds from sales of investments	1,421,344	1,798,517
Purchases of investments	(1,362,323)	(2,250,891)
Purchases of property and equipment	(58,249)	(7,972)
Net cash provided by (used in) investing activities	772	(460,346)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	-	486,598
Net cash provided by financing activities	-	486,598
Net decrease in cash and cash equivalents	(1,834,759)	(1,278,315)
Cash and cash equivalents:		
Beginning	9,501,243	10,779,558
Ending	\$ 7,666,484	\$ 9,501,243
Supplemental disclosures of cash flow information:		
Addition to right-of-use assets for operating leases as of July 1, 2022	\$ 2,069,138	\$ -
Addition to operating lease liabilities as of July 1, 2022	\$ 2,426,131	\$ -
Operating cash outflows—payments on operating leases	\$ 621,765	\$ -

See notes to the financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: American Rivers is championing a national effort to protect and restore all rivers, from remote mountain streams to urban waterways. Healthy rivers provide people and nature with clean, abundant water and natural habitat. For 50 years, American Rivers staff, supporters and partners have shared a common belief: Life Depends on Rivers.

American Rivers is the only national organization dedicated entirely to protecting and restoring the rivers all life depends on. With a half-century of experience addressing river threats from coast-to-coast, American Rivers has protected more rivers and removed more dams than any other organization.

In 2023, American Rivers worked in 50 states to protect healthy rivers, restore damaged rivers and champion a powerful river movement. In addition to protecting 1,059 miles of rivers from damming and development, American Rivers removed 9 dams, restored more than 430 miles of rivers through dam removal and galvanized more than 73,000 volunteers to remove more than 400,000 pounds of trash from their hometown rivers.

American Rivers' major programs:

Restore damaged rivers and waters: We need to fundamentally transform the health of rivers in our country. Up to 85 percent of all dams in our country are unnecessary, harmful, and even dangerous. Because removing a dam is the single most impactful way to secure a rivers' future health, we must remove thousands of them quickly. Our work to remove dams has been central to American Rivers over the past decades and will be even more important as we work to restore rivers in the decades ahead. We are prioritizing removing the worst 400 dams by 2027 and will kickstart the removal of 30,000 dams by 2050. We also drive national solutions to flooding that prioritize communities' safety, equity, and the health of river habitats and will restore 20,000 acres of functional floodplains by 2027. In addition, we work to restore clean water by working in cities to connect communities to their rivers and work to restore healthy river flows, habitat, and access by engaging in hydropower relicensing and reform.

Mobilize river and water movement: We can't do this work alone. American Rivers has always been known for our willingness and ability to work with everyone, from local partners to government agencies to decision-makers, to do what's best for rivers. We know that the challenges to rivers are increasing dramatically. And we know that the impacts of polluted and flooding rivers disproportionately impact communities of color. We need a powerful, diverse, bipartisan river movement to face those challenges and drive change that makes rivers healthier, water cleaner and communities safer. And we won't stop until every river has multitudes of champions speaking up for it.

Protect healthy rivers: Scientists say we must protect one-half of the planet to sustain the web of biodiversity upon which all life depends. By driving federal and state protections, we will safeguard 1 million miles of rivers, from remote mountain streams to urban waterways. To do it, we are working shoulder to shoulder with local partners to protect our healthiest, most scenic rivers as well as rivers closer to where most people live through the federal Wild and Scenic legislation and other approaches. We are also supporting communities experiencing more frequent and damaging flooding protect their rivers in ways that address social inequities and improve their communities' resilience to climate change impacts.

American Rivers, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

A summary of American Rivers' significant accounting policies follows:

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities topic of ASC, Financial Statements of Not-for-Profit Organizations, American Rivers is required to report information regarding its financial position and activities according to two classes of net assets: Net assets without donor restrictions and net assets with donor restrictions.

Without donor restrictions: Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. Board-designated net assets without donor restrictions consist of net assets designated by the Board of Directors for an operating reserve.

With donor restrictions: Net assets with donor restrictions include those net assets whose use is subject to donor restrictions. Donor restrictions may be for a specified time or purpose limitation or the donor may specify that the corpus of their original and certain subsequent gifts be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and cash equivalents: American Rivers considers all unrestricted highly liquid investments with an initial maturity of 90 days or less to be cash equivalents. Cash and cash equivalents held by the investment custodian to facilitate investment transactions or for investment are reported as investments in the statements of financial position.

Investments: Investments in marketable debt and equity securities are carried at fair value. Unrealized and realized gains and losses are reported in the statements of activities as part of investment income.

Financial risk: American Rivers maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to American Rivers.

American Rivers invests funds in a professionally managed portfolio that contains various types of marketable securities. Such investments are exposed to market and credit risks. As such, American Rivers' investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Accounts receivable: American Rivers' accounts receivable consist primarily of progress billings to several state agencies. In addition, there are billings to various corporate sponsors and to other organizations for reimbursable expenditures. These receivables are valued at management's estimate of the amount that will ultimately be collected. The allowance for doubtful accounts is based on specific identification of uncollectible accounts and American Rivers' historical collection experience. At June 30, 2023 and 2022, management considers all accounts receivable to be fully collectible. Unbilled amounts represent costs incurred and estimated fees on contracts for which billings have not yet been presented. Typically, invoices are prepared either monthly or quarterly based on the prior month's or quarter's activities. When billed, these amounts are included in the statements of financial position as accounts receivable—billed. Contract receivables totaled \$264,155 and \$239,196 for the years ended June 30, 2023 and 2022, respectively.

Grants receivable and promises to give: Grants receivable and promises to give reflect commitments made to American Rivers by various donors. Grants for which payments are to be received in future years have been discounted to their present value at 1%. Grants receivables and promises to give are valued at management's estimate of the amount that will ultimately be collected. The allowance for doubtful grants receivable and promises to give is based on specific identification of uncollectible accounts and American Rivers' historical collection experience. At June 30, 2023 and 2022, management elected not to record an allowance for doubtful grants receivable and promises to give as all outstanding amounts were deemed to be collectible.

Contract balances: The timing of revenue recognition may not align with the right to invoice the customer. American Rivers records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) also is recorded. If revenue is recognized in advance of the right to invoice, a contract asset (unbilled receivable) is recorded. Opening balances as of July 1, 2021, for accounts receivable is \$265,253 and deferred revenue is \$10,868.

Property and equipment: American Rivers capitalizes all property and equipment with a cost of \$5,000 or more. Property and equipment are recorded at cost and depreciated on the straight-line basis over estimated lives of 3 to 10 years. Amortization of leasehold improvements is provided using the straight-line method of the lesser of the useful lives of the related assets or the term of the lease.

Deferred revenue and refundable advances: Refundable advances represent funds received from governments and fees for service contracts in advance of incurring qualifying expenditures. Deferred revenue balances for the years ended June 30, 2023 and 2022, totaled \$585,690 and \$721,197, respectively.

Right-of-use assets: Right-of-use (ROU) assets consist of the initial lease liability, any payments made to the lessor at or before the commencement date minus any incentives received and initial direct costs. Operating ROU assets are amortized over the remaining lease term.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Deferred rent: Prior to July 1, 2022, under accounting principles generally accepted in the United States of America (U.S. GAAP), all rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the lease. Various leases for American Rivers for office space include escalations of the base rent. Rent expense is recorded on a straight-line basis over the entire lease term. The deferred rent asset or liability recorded in the accompanying statements of financial position represents the cumulative difference between the monthly rent expense and rent paid. The concept of deferred rent has been eliminated for American River as of July 1, 2022, with the adoption of a new accounting standard (see next paragraph).

Leases: In February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a ROU asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. American Rivers adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, American Rivers has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with American Rivers' historical accounting treatment under ASC Topic 840, Leases.

American Rivers elected the "package of practical expedients" under the transition guidance within Topic 842, in which American Rivers does not reassess: (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. American Rivers has not elected to adopt the "hindsight" practical expedient and, therefore, will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

American Rivers determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when: (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) American Rivers obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. American Rivers also considers whether its service arrangements include the right to control the use of an asset.

American Rivers made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, American Rivers made an accounting policy election available to non-public companies to utilize the risk-free rate based on the remaining term for leases existing upon adoption of Topic 842.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

American Rivers, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Adoption of Topic 842 resulted in the recording of ROU assets and lease liabilities related to American Rivers' operating leases on July 1, 2022. The difference between the ROU assets and lease liability represents existing deferred rent that was derecognized. The adoption of the new lease standard did not materially impact net earnings or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Revenue recognition: American Rivers is the subrecipient of cost-reimbursable grants with U.S. government agencies which typically qualify as conditional awards. Revenue from these conditional awards is recognized as costs are incurred on the basis of direct costs plus allocable indirect expenses. Direct and indirect expenses incurred, but not yet reimbursed, under these grants are reported as accounts receivable in the accompanying statements of financial position. Payments received, but not yet expended, for the purpose of the grants are reflected as deferred revenue in the accompanying statements of financial position.

Grants other than government grants and contributions, including sponsorships, are recorded as revenue when received or promised. Gifts of cash and other assets are reported as support with donor restrictions if they are received or promised with donor stipulations that limit the use of the donated assets to one of American Rivers' programs or to a future year. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), the restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Net assets received with donor restrictions met in the same year, are also recorded as support with donor restrictions and reclassified when the restrictions are met.

American Rivers has determined that funding received under government grants to be conditional contributions. As American Rivers incurs expenses that are allowed and recoverable in accordance with the grant agreements, the conditions are considered to have been met. Thus, contributions related to federal projects are recognized as costs qualified under the grants are incurred. Government funds received in advance of costs incurred, while rare, are recorded as refundable advances until expended for the purpose of the grant. In addition, some grants have matching requirements that must be met in order to recognize revenue. Conditional awards are recognized to net assets without donor restrictions if time and purpose restrictions had already been satisfied at the time conditions are substantially met. Federal costs incurred in excess of funds received are recorded as grants receivable.

Revenue from all other sources is recognized when earned.

The revenue streams noted above do not include significant financing components as the performance obligations are typically satisfied within a year of receipt of payment. Economic factors driven by consumer confidence, employment, inflation, and other world events impact the timing and level of cash received and revenue recognized by American Rivers. Periods of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue of American Rivers, or can have a positive impact on cash flows in favorable economic conditions.

Payments on contracts with customers are typically due upon receipt of invoice by the customer. American Rivers did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. There are also no incremental costs of obtaining a contract and no significant financing components. Finally, there are no significant changes in the judgements affecting the determination of the amount and timing of revenue from contracts with customers. The level of revenue generated through contracts with customers can fluctuate due to certain economic factors, specifically in the lending and financing industry.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Functional allocation of expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Expenses that can be identified with a specific program or support service (management and fundraising) are charged directly to that program or support service. Costs that are common to multiple functions are allocated to those functions using a reasonable allocation method as described as follows. Salaries are allocated based on electronic timecards which are completed by all employees. Benefits include paid leave, health insurance and payroll taxes and are allocated on a budgeted rate based on salaries. Occupancy costs are costs associated with offices that share expenses among multiple programs and include items such as rent, utilities, supplies, equipment leases and maintenance. Occupancy is allocated by location at a budgeted rate and is based on salaries. IT Services include the contract costs of outside IT support services. IT services are allocated based on timecard hours charged at a budgeted hourly rate. Overhead consists of the general and administrative expenses associated with the management of the entire organization. Overhead is allocated based on modified total direct costs which exclude contract and grant amounts in excess of \$25,000. Allocation rates are evaluated and adjusted on an annual basis as part of the budgeting process.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income taxes: American Rivers is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code (IRC) and is not a private foundation under Section 509(a)(1). American Rivers had an insignificant unrelated business tax liability related to merchandise sales for the year ended June 30, 2023. American Rivers did not have an unrelated business tax liability for the year ended June 30, 2022.

Upcoming accounting pronouncement: In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost.

The ASU requires financial assets measured at amortized cost (including loans and trade receivables) to be presented at the net amount expected to be collected through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statements of activities as the amounts expected to be collected change. In July 2019, FASB extended the effective date for ASU 2016-13 beginning with American Rivers' fiscal year ending June 30, 2024. American Rivers is currently evaluating the impact the adoption of this guidance will have on its financial statements.

Reclassifications: Certain 2022 expenses have been reclassified to conform to the 2023 presentation. There was no effect on the change in net assets as a result of these reclassifications.

Subsequent events: American Rivers has evaluated subsequent events through February 5, 2024, the date on which the financial statements were available to be issued.

American Rivers, Inc.

Notes to Financial Statements

Note 2. Fair Value Measurements and Investments

Investments are classified on the statements of financial position as follows:

	2023	2022
Investments	\$ 1,090,479	\$ 982,979
Investments held for endowment	2,877,649	2,704,164
	<u>\$ 3,968,128</u>	<u>\$ 3,687,143</u>

In accordance with U.S. GAAP, American Rivers uses the following prioritized input levels to measure fair value of its investments. The input levels used in valuing investments are not necessarily an indication of risk.

Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2: Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

Level 3: Unobservable inputs which reflect the fund manager's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments valued using Level 1 inputs include mutual funds and exchange-traded funds, the values of which were based on quoted prices for identical assets in active markets. Management believes the estimated fair values on these investments to be a reasonable approximation of their exit price.

Investments recorded at cost include cash and cash equivalents. Investments at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

The estimated fair value of investments measured on a recurring basis are as follows at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Investments, at fair value:				
Mutual funds:				
Fixed income	\$ 202,474	\$ -	\$ -	\$ 202,474
Domestic equities	38,959	-	-	38,959
Exchange traded funds:				
Fixed income	757,666	-	-	757,666
Large cap equities	1,439,737	-	-	1,439,737
Small cap equities	396,564	-	-	396,564
International equities	450,214	-	-	450,214
Emerging markets	190,708	-	-	190,708
Real estate	350,906	-	-	350,906
	<u>\$ 3,827,228</u>	<u>\$ -</u>	<u>\$ -</u>	<u>3,827,228</u>
Investments, at cost:				
Money market funds				140,900
				<u>\$ 3,968,128</u>

American Rivers, Inc.

Notes to Financial Statements

Note 2. Fair Value Measurements and Investments (Continued)

The estimated fair value of investments measured on a recurring basis are as follows at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Investments, at fair value:				
Mutual funds:				
Fixed income	\$ 201,348	\$ -	\$ -	\$ 201,348
Domestic equities	57,279	-	-	57,279
Exchange traded funds:				
Fixed income	531,738	-	-	531,738
Large cap equities	1,250,006	-	-	1,250,006
Small cap equities	16,840	-	-	16,840
International equities	358,442	-	-	358,442
Emerging markets	189,840	-	-	189,840
Real estate	228,460	-	-	228,460
	<u>\$ 2,833,953</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,833,953</u>
Investments, at cost:				
Money market funds				853,190
				<u>\$ 3,687,143</u>

Note 3. Grants and Promises to Give

Grants and promises to give consisted of the following at June 30, 2023 and 2022:

	2023	2022
Receivable in less than one year	\$ 4,293,156	\$ 1,703,887
Receivable in one to five years	610,000	960,000
	<u>4,903,156</u>	<u>2,663,887</u>
Less discount to net present value	(32,386)	(29,198)
	<u>\$ 4,870,770</u>	<u>\$ 2,634,689</u>

Note 4. Property and Equipment

Property and equipment consisted of the following at June 30, 2023 and 2022:

	2023	2022
Furniture and equipment	\$ 403,365	\$ 345,115
Leasehold improvements	40,869	40,869
	<u>444,234</u>	<u>385,984</u>
Less accumulated depreciation and amortization	(354,348)	(328,108)
	<u>\$ 89,886</u>	<u>\$ 57,876</u>

Depreciation and amortization expense for the years ended June 30, 2023 and 2022, was \$26,239 and \$16,158, respectively.

American Rivers, Inc.

Notes to Financial Statements

Note 5. Charitable Gift Annuities

American Rivers is the beneficiary of several charitable gift annuity agreements. American Rivers' interest in these charitable gift annuity agreements is reported as a contribution in the year received at its net present value. Total assets held under these agreements were \$323,537 and \$327,842 at June 30, 2023 and 2022, respectively. The fair values of the assets held in connection to the charitable gift annuities are included in investments on the statements of financial position. The value of the charitable gift annuity liabilities at June 30, 2023 and 2022, was \$180,933 and \$183,323, respectively. The liabilities related to the charitable gift annuities are determined by discounting expected future cash flows using interest rates for instruments with similar terms and maturities when they were initially received over the estimated remaining life expectancy of the identified beneficiaries.

Note 6. Net Assets With Donor Restrictions

Net assets with donor restrictions include those net assets whose use has been restricted by the donors for a specific purpose and/or a specified time limitation. Net assets with donor restrictions that were restricted for purpose consisted of the following at June 30, 2023 and 2022:

	2023	2022
Restore damaged rivers and water	\$ 7,600,926	\$ 5,571,915
Protect healthy rivers	993,161	1,321,969
Endowment fund	2,877,649	2,704,164
Mobilize river and water movement	552,783	184,882
Other/time restricted	1,831,310	1,613,756
	<u>\$ 13,855,829</u>	<u>\$ 11,396,686</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses which satisfied the restricted purposes or time limitations specified by the donors during the years ending June 30, 2023 and 2022, respectively:

	2023	2022
Restore damaged rivers and water	\$ 5,134,978	\$ 4,507,238
Protect healthy rivers	1,354,231	1,278,568
Endowment fund	121,581	115,274
Mobilize river and water movement	351,628	178,957
Other/time restricted	180,609	547,365
	<u>\$ 7,143,027</u>	<u>\$ 6,627,402</u>

American Rivers, Inc.

Notes to Financial Statements

Note 7. Endowment Fund

Net assets with donor restrictions whose restrictions are perpetual in nature include capital campaign endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The donor-restricted endowment funds are classified within net assets with donor restrictions and must be maintained in perpetuity.

Interpretation of relevant law: American Rivers has interpreted the Uniform Prudent Management of Institutional Funds Act of 2007 (UPMIFA), enacted by the District of Columbia, 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, American Rivers classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

American Rivers has a donor-restricted Capital Campaign Endowment with net assets of \$2,877,649 and \$2,704,164 as of June 30, 2023 and 2022, respectively. American Rivers also has a board-designated operating reserve, which is considered a quasi-endowment and which had a net asset balance of \$979,310 and \$867,506 as of June 30, 2023 and 2022, respectively.

Return objectives and risk parameters: American Rivers has adopted investment and spending policies 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 the endowment assets. As part of American Rivers' continuing diversification and risk management strategy, a portion of endowment funds are invested in cash, fixed income securities and equity securities. The investment portfolio is intended to produce returns higher than specified market indices while assuming a moderate level of risk.

Strategies employed for achieving objectives: To satisfy its long-term objectives, American Rivers relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). American Rivers targets a diversified asset allocation that places more emphasis on fixed income securities and equity securities to achieve its long-term return objectives.

American Rivers, Inc.

Notes to Financial Statements

Note 7. Endowment Fund (Continued)

Spending policy and how investment objectives relate to spending policy: The spending policy for the board-designated reserve fund allows for a maximum of 3% of the average balance of the fund for the prior three years to be used for general expenditures. The board determines the spending limit of these reserves on an annual basis. Principle withdrawals over the 3% limit are permitted for unusual or extraordinary expenses with prior board approval.

In addition, under the terms of the Capital Campaign Endowment, based on the Board of Director's investment policy, a maximum of 5% of the average balance of the donor-restricted endowment fund for the prior three years may be made available for general expenditures. The board determines the spending limit on an annual basis. Only the earnings on the fund are available since the principle must remain intact.

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor originally contributed as an endowment fund to the American Rivers. There were no such deficiencies at June 30, 2023 and 2022, respectively.

The changes in endowment funds were as follows for the years ended June 30, 2023 and 2022:

	With Donor Restrictions			
	Without Donor Restrictions	Accumulated Earnings	Perpetual in Nature	Total
Balance at June 30, 2022	\$ 867,506	\$ 382,611	\$ 2,321,553	\$ 3,571,670
Investment return, net of fees	111,804	295,066	-	406,870
	979,310	677,677	2,321,553	3,978,540
Appropriations	-	(121,581)	-	(121,581)
Balance at June 30, 2023	\$ 979,310	\$ 556,096	\$ 2,321,553	\$ 3,856,959

	With Donor Restrictions			
	Without Donor Restrictions	Accumulated Earnings	Perpetual in Nature	Total
Balance at June 30, 2021	\$ 905,559	\$ 846,680	\$ 1,834,955	\$ 3,587,194
Contributions	-	-	486,598	486,598
Investment return, net of fees	(38,053)	(348,795)	-	(386,848)
	867,506	497,885	2,321,553	3,686,944
Appropriations	-	(115,274)	-	(115,274)
Balance at June 30, 2022	\$ 867,506	\$ 382,611	\$ 2,321,553	\$ 3,571,670

American Rivers, Inc.

Notes to Financial Statements

Note 8. Retirement Plan

American Rivers sponsors a Section 403(b) tax-deferred annuity plan covering all employees. The plan participants are 100% vested upon entering the plan. Employees may participate in the plan immediately upon employment and become eligible for employer contributions after completing one full year of service. Under the terms of the plan, American Rivers makes quarterly contributions of 3% of each participant's quarterly compensation and may also contribute up to an additional 2% of compensation based on the level of an employee's voluntary contribution, if any. Contributions by American Rivers to the plan totaled \$200,685 and \$176,710 for the years ended June 30, 2023 and 2022, respectively.

Note 9. Leases

American Rivers occupies office space in Washington, D.C. under an operating lease originally expiring October 31, 2026. The lease includes periods of rent abatement and escalating rent payments. In addition to base rent, American Rivers is responsible for its proportionate share of the building's operating expenses. American Rivers recognizes the total rent commitment on a straight-line basis over the term of the lease. The difference between the monthly payment and the rent expense recognized for financial statement purposes is recognized as a deferred rent liability in the financial statements. American Rivers also leases office space at other locations, as well as storage space and miscellaneous furnishings and equipment under various non-cancellable operating leases. Additionally, other office space for certain field offices is leased under month-to-month agreements. Total rent expense amounted to \$577,937 and \$661,412 for the years ended June 30, 2023 and 2022, respectively.

In connection with the adoption of Topic 842, the various leases were determined to be operating leases, and the lease cost is recognized on a straight-line basis over the lease term resulting in a ROU asset and liability recorded in the statements of financial position as of June 30, 2023. American Rivers calculated the present value of the lease over the term of the respective agreement using the risk-free rate on adoption date of Topic 842, based on the remaining lease term. The interest rate utilized as of June 30, 2023, was 2.87%. The weighted average remaining lease term is 3.25 years.

Future undiscounted cash flows as determined under Topic 842 for the remainder of the lease term and a reconciliation to the lease liability recognized on the statement of financial position as of June 30, 2023, are as follows:

Years ending June 30:	
2024	\$ 601,595
2025	589,744
2026	592,048
2027	191,888
Future minimum lease payments	<u>1,975,275</u>
Less imputed interest*	<u>(94,201)</u>
Discounted lease liability	<u>\$ 1,881,074</u>

* Imputed interest represents the difference between undiscounted cash flows and discounted cash flows.

American Rivers, Inc.

Notes to Financial Statements

Note 9. Leases (Continued)

Future minimum rental payments for the office space, office equipment and storage space, as determined under Topic 840 for all non-cancelable leases, for the years ending June 30 are as follows:

Years ending June 30:

2023	\$	591,300
2024		530,100
2025		542,000
2026		554,200
2027		186,800
		<u>\$ 2,404,400</u>

Note 10. Commitments and Contingencies

Federal awards: American Rivers participates in several federal awards which are subject to financial and compliance audits by federal agencies or their representatives. Therefore, a contingent liability may exist for potential questioned costs that would result from such audits. However, management does not anticipate significant adjustments if such audits were to occur.

Line of credit: American Rivers has a line of credit with a bank in the amount of \$750,000 which is renewable annually and collateralized by all property, equipment, inventory and receivables of American Rivers. Interest accrues at a variable rate plus 1.75% per annum. There were no outstanding borrowings and no drawdowns on the line of credit as of and for the years ended June 30, 2023 and 2022, respectively.

Paycheck Protection Program (PPP) loan: During January 2021, American Rivers obtained a PPP loan from the Small Business Administration (SBA) totaling \$1,382,697. This loan had been recorded as a refundable advance on its 2021 financial statements in accordance with ASC 958-605. During January 2022, the PPP loan totaling \$1,382,697 was officially forgiven by the SBA and as such, American Rivers recognized contribution revenue equal to the amount of the loan forgiveness in the statement of activities as of June 30, 2022, as no other conditions were present at the time the contribution revenue was recognized.

American Rivers, Inc.

Notes to Financial Statements

Note 11. Liquidity and Availability

The following represents American Rivers' financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general use within one year due to contractual or donor-imposed restrictions:

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 7,666,484	\$ 9,501,243
Investments	3,968,128	3,687,143
Accounts receivable	2,885,456	2,351,273
Grants and promises to give, net	4,870,770	2,634,689
Subtotal financial assets	<u>19,390,838</u>	<u>18,174,348</u>
Less financial assets not available for general expenditure within one year:		
Donor-restricted net assets, excluding time-restricted net assets due within one year of \$125,000 and \$25,000, respectively	(13,730,829)	(11,371,686)
Split-interest agreements	(180,933)	(183,323)
Board-designated—reserve fund	<u>(979,310)</u>	<u>(867,506)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 4,499,766</u>	<u>\$ 5,751,833</u>

The board-designated quasi-endowment reserve fund and the donor-restricted endowment fund may be made available for general expenditures under the provisions of their respective spending policies, which are disclosed in Note 7.

As part of American Rivers' liquidity management, it maintains its financial assets so that they are available to meet general expenditures, liabilities, and other obligations as they become due. Excess cash is invested in short-term vehicles. The organization also has a line of credit with a bank in the amount of \$750,000 to cover short-term cash needs.

Note 12. Conditional Grants and Contributions

American Rivers received conditional contributions totaling \$23,393,394 related to American Rivers' federal awards. These contributions are contingent upon American Rivers carrying out activities meeting grantor-imposed barriers stipulated by American Rivers' federal grants.

The following provides a summary of the total grant commitments American Rivers has received along with the cumulative amount of funding provided from grant inception through June 30, 2023:

	Grant Amounts Awarded	Cumulative Amounts Recognized	Conditional Amounts to be Recognized
United States Department of Agriculture	\$ 1,111,053	\$ 193,109	\$ 917,944
United States Department of Commerce	16,001,416	3,579,122	12,422,294
United States Department of the Interior	4,620,747	1,860,928	2,759,819
Environmental Protection Agency	1,510,178	1,358,989	151,189
Federal Emergency Management Agency	150,000	-	150,000
Department of Energy	3,676,825	23,110	3,653,715
	<u>\$ 27,070,219</u>	<u>\$ 7,015,258</u>	<u>\$ 20,054,961</u>

American Rivers, Inc.

Notes to Financial Statements

Note 13. Subsequent Event

On December 18, 2023, the American Rivers Action Fund (the Action Fund), a nonstock nonprofit corporation, duly organized and incorporated under the General Corporation Law of the State of Delaware, was established. The Action Fund is incorporated and operated for social welfare purposes within the meaning of Section 501(c)(4) of the IRC, and more specifically to engage the public and public officials in the conservation and protection of America's remaining wild and scenic rivers and their immediate environs. American Rivers, Inc. shall serve as the sole member of the Action Fund, acting through the American Rivers, Inc. Board of Directors. The principal office is located in Washington, D.C.

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

Board of Directors
American Rivers, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of American Rivers, Inc. (American Rivers), which comprise the statement of financial position as of June 30, 2023, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 5, 2024.

Our report contained an emphasis of matter paragraph for the adoption of Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered American Rivers' internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of American Rivers' internal control. Accordingly, we do not express an opinion on the effectiveness of American Rivers' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of American Rivers' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether American Rivers' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing on internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of American Rivers' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering American Rivers' internal control and compliance. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

Washington, D.C.
February 5, 2024



RSM US LLP

**Report on Compliance for the Major Federal Program; and
Report on Internal Control Over Compliance Required by the Uniform Guidance
Independent Auditor's Report**

Board of Directors
American Rivers, Inc.

Report on Compliance for the Major Federal Program

Opinion on the Federal Program

We have audited the American Rivers, Inc. (American Rivers) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on American Rivers' major federal program for the year ended June 30, 2023. American Rivers' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, American Rivers complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of American Rivers and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of American Rivers' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to American Rivers' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on American Rivers' compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about American Rivers' compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 American Rivers' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of American Rivers' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of American Rivers' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

Washington, D.C.
February 5, 2024

American Rivers, Inc.

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023**

Federal Grantor/ Pass Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
U.S. Department of Agriculture				
Partnership Agreements	10.699	N/A	\$ 70,978	\$ 20,767
Pass-through:				
<i>National Fish and Wildlife Foundation:</i>				
National Fish and Wildlife Foundation	10.683	21-CA-11132422-237/0809.22.073741	30,778	-
<i>U.S. Forest Service:</i>				
Aquatic Organism Passage Barrier Removal and Meadow Restoration in the Pine Creek Watershed (CA)	N/A	19-PA-11052000-044/0809.20.069389	26,993	-
Total U.S. Department of Agriculture			<u>128,749</u>	<u>20,767</u>
U.S. Department of Commerce				
<i>National Oceanic and Atmospheric Administration:</i>				
Habitat Conservation	11.463	N/A	377,294	-
Total U.S. U.S. Department of Commerce			<u>377,294</u>	<u>-</u>
U.S. Department of the Interior				
Fish and Wildlife Management Assistance	15.608	N/A	61,698	-
Coastal Program	15.630	N/A	17,424	-
Hurricane Sandy Disaster Relief Activities-FWS	15.677	N/A	69,086	-
National Wild and Scenic Rivers System	15.962	N/A	15,000	-
Pass-through:				
<i>National Fish and Wildlife Foundation:</i>				
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508	R10AP20007/0809.19.064487	15,650	-
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508	R10AP20007/0809.20.066743	115,179	-
Providing Water to At-Risk Natural Desert Terminal Lakes	15.508	R10AP20007/0809.22.073636	4,233	-
Adaptive Science	15.670	F18AC00707/0403.20.070960	129,782	86,556
Adaptive Science	15.670	F21AC01514-00/0403.21.072596	36,987	1,550
NFWF-USFWS Conservation Partnership	15.663	F20AP00233/0809.22.073636	93,927	-
NFWF-USFWS Conservation Partnership	15.663	F20AP00233/0809.22.073741	481	-
NFWF-USFWS Conservation Partnership	15.663	F21AP01079-00/0809.23.077823	4,343	-
Total U.S. Department of the Interior			<u>563,790</u>	<u>88,106</u>
U.S. Environmental Protection Agency				
The San Francisco Bay				
Water Quality Improvement Fund	66.126	N/A	519,398	-
Pass-through:				
<i>National Fish and Wildlife Foundation:</i>				
Chesapeake Bay Program	66.466	96358101/0603.21.073218	9,188	-
Chesapeake Bay Program	66.466	96374001/PFBC 2022-1214.02 4100094533	2,523	-
Environmental Education Grants	66.951	98T46401-001	1,559	-
Total U.S. Environmental Protection Agency			<u>532,668</u>	<u>-</u>
U.S. Department of Energy				
Renewable Energy Research and Development	81.087	N/A	23,109	-
Total expenditures of federal awards			<u>\$ 1,625,610</u>	<u>\$ 108,873</u>

See notes to schedule of expenditures of federal awards.

American Rivers, Inc.

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal program activity of American Rivers for the year ended June 30, 2023. The information in the SEFA is presented in accordance with the requirements of Title 2, U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of American Rivers, it is not intended to, and does not, present the financial position, changes in net assets or cash flows of American Rivers.

Note 2. Summary of Significant Accounting Policies for Federal Award Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Costs

American Rivers has not elected to use the 10% *de minimis* indirect cost rate, which is allowed in accordance with the Uniform Guidance.

American Rivers allocates indirect costs to Federal Awards based on an approved rate that has been established directly with the U.S. Department of Commerce. The approved rate in effect for the year ended June 30, 2023, was 19.00%.

American Rivers, Inc.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

Section I—Summary of Independent Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X</u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X</u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X</u> No

Federal Awards

Internal control over major federal program:

Material weakness(es) identified?	<u> </u> Yes	<u> X</u> No
Significant deficiency(ies) identified that are not material weakness(es)?	<u> </u> Yes	<u> X</u> None Reported

Type of auditor's report issued on compliance for major federal program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)

 Yes X No

Identification of major programs:

Assistance Listing Number
11.463

Name of Federal Program
Habitat Conservation

Dollar threshold used to distinguish between Type A and Type B programs
Federal Awards

\$750,000

Auditee qualified as low-risk auditee?

 X Yes No

(Continued)

American Rivers, Inc.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2023

Section II—Financial Statement Findings

None reported.

Section III—Federal Award Findings and Questioned Costs

None reported.

American Rivers, Inc.

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023**

There are no findings from the prior audit to be reported on this schedule.