

AMERICAN WHITEWATER
INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

CORLISS & SOLOMON, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN WHITEWATER

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
American Whitewater
Sylva, North Carolina

We have audited the accompanying financial statements of American Whitewater (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of American Whitewater at December 31, 2012, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Carliss + Solomon, PLLC

Asheville, North Carolina

May 2, 2013

American Whitewater
Statement of Financial Position

As of December 31, 2012

(With summarized comparative totals as of December 31, 2011)

	2012	2011
Assets		
<u>Current Assets</u>		
Cash and Equivalents	\$ 473,973	\$ 490,241
Accounts Receivable	20,183	51,226
Grants Receivable	37,924	48,338
Investments	336,595	223,979
Prepaid Expenses	16,891	12,535
Inventory	10,160	2,394
Total Current Assets	895,726	828,713
<u>Long-Term Assets</u>		
Lands Held for Protection	61,056	61,056
Computer Equipment, Net	12,971	5,546
Total Long Term Assets	74,027	66,602
Total Assets	969,753	895,315
Liabilities and Net Assets		
<u>Current Liabilities</u>		
Accounts Payable	23,970	32,661
Deferred Revenue	63,449	83,940
Other Liabilities	1,638	2,155
Payroll Liabilities	20,389	19,013
Total Current Liabilities	109,446	137,769
<u>Net Assets</u>		
Unrestricted Net Assets		
Available for Operations	501,161	518,858
Board Designated	21,841	21,841
Total Unrestricted Net Assets	523,002	540,699
Temporarily Restricted Net Assets	337,305	216,847
Total Net Assets	860,307	757,546
Total Liabilities and Net Assets	\$ 969,753	\$ 895,315

The accompanying notes are an integral part of these financial statements.

American Whitewater
Statement of Activities

Year Ended December 31, 2012

(With summarized comparative totals from the prior year)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2012</u>	<u>Total 2011</u>
<u>Revenue and Support</u>				
Advertising	\$ 55,716	\$ -	\$ 55,716	\$ 41,387
Contributions	104,034	114,300	218,334	167,254
Events and Festivals	77,481	-	77,481	68,400
Grants	-	298,141	298,141	200,105
In-Kind Contributions	254,550	-	254,550	201,399
Investment Income	1,851	-	1,851	2,030
Management Fees and Services	42,865	-	42,865	86,600
Membership Dues	327,021	-	327,021	311,182
Other Income	564	-	564	1,775
Product and Journal Sales	39,339	-	39,339	32,637
Sponsorships/Corp Programs	121,317	-	121,317	122,817
Investment Gains/(Losses)	16,415	-	16,415	(6,594)
Net Assets Released from Restriction				
By Expenditure	291,983	(291,983)	-	-
Total Revenue and Support	<u>1,333,136</u>	<u>120,458</u>	<u>1,453,594</u>	<u>1,228,992</u>
<u>Expenses</u>				
Program Services:				
Access and Conservation	745,210	-	745,210	657,121
Public Education	403,276	-	403,276	406,892
Total Program Services	<u>1,148,486</u>	<u>-</u>	<u>1,148,486</u>	<u>1,064,013</u>
Supporting Services:				
Management and General	117,385	-	117,385	123,664
Fundraising	84,962	-	84,962	75,220
Total Supporting Services	<u>202,347</u>	<u>-</u>	<u>202,347</u>	<u>198,884</u>
Total Expenses	<u>1,350,833</u>	<u>-</u>	<u>1,350,833</u>	<u>1,262,897</u>
Change in Net Assets	(17,697)	120,458	102,761	(33,905)
Net Assets, Beginning of Year:	540,699	216,847	757,546	791,451
Net Assets, End of Year	<u>\$ 523,002</u>	<u>\$ 337,305</u>	<u>\$ 860,307</u>	<u>\$ 757,546</u>

The accompanying notes are an integral part of these financial statements.

American Whitewater
Statement of Functional Expenses

Year Ended December 31, 2012

(With summarized comparative totals from the prior year)

	Program Activities			Management and General	Fundraising	Total 2012	Total 2011
	Access and Conservation	Public Education	Total Program Expenses				
Salaries	\$ 298,411	\$ 146,839	\$ 445,250	\$ 45,443	\$ 19,140	\$ 509,833	\$ 465,979
Payroll Taxes	24,690	11,674	36,364	3,345	1,512	41,221	40,785
Benefits	53,783	8,145	61,928	8,517	323	70,768	61,540
Total Personnel	<u>376,884</u>	<u>166,658</u>	<u>543,542</u>	<u>57,305</u>	<u>20,975</u>	<u>621,822</u>	<u>568,304</u>
Bank and Credit Card Fees	25	23	48	15,010	16	15,074	14,280
Bad Debt Expense	-	-	-	-	-	-	600
Cost of Goods Sold	12,425	17,020	29,445	-	19,857	49,302	48,045
Depreciation Expense	-	-	-	2,816	-	2,816	2,319
Equipment Rental & Repairs	3,993	594	4,587	996	-	5,583	6,535
Program Event Expenses	1,085	6,045	7,130	-	20,508	27,638	46,682
Insurance Expense	8,937	1,202	10,139	10,621	-	20,760	20,520
Land Maintenance & Improvement	19,784	-	19,784	615	-	20,399	169
Marketing and Advertising	1,925	24,392	26,317	-	750	27,067	22,049
Meeting and Conference Expenses	3,990	75	4,065	-	-	4,065	2,356
Membership Discounts/Expenses	-	23,741	23,741	-	6,059	29,800	59,927
Other Expenses	6,725	1,263	7,988	3,857	1,450	13,295	3,825
Postage and Shipping	7,458	25,487	32,945	1,743	1,687	36,375	28,802
Printing & Reproduction	1,646	46,771	48,417	75	-	48,492	45,158
Professional Fees	237,662	57,884	295,546	9,100	4,940	309,586	273,366
Rent & Utilities	-	1,349	1,349	6,425	535	8,309	8,165
Supplies	1,611	3,526	5,137	1,380	-	6,517	8,904
Telephone and Internet Access	11,999	8,748	20,747	4,120	4	24,871	25,478
Travel & Lodging	49,061	18,498	67,559	3,322	8,181	79,062	77,413
Total Expenses	<u>\$ 745,210</u>	<u>\$ 403,276</u>	<u>\$ 1,148,486</u>	<u>\$ 117,385</u>	<u>\$ 84,962</u>	<u>\$ 1,350,833</u>	<u>\$ 1,262,897</u>

The accompanying notes are an integral part of these financial statements.

American Whitewater
Statement of Cash Flows
Year Ended December 31, 2012
(With summarized comparative totals from the prior year)

	2012	2011
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 102,761	\$ (33,905)
Adjustments to reconcile change in net assets to net cash provided or used by operating activities		
Depreciation	2,816	2,319
Unrealized (Gains)/Losses	(16,415)	6,594
(Increase)/Decrease in Operating Activities		
Accounts Receivable	31,043	(28,265)
Grants Receivable	10,414	(11,000)
Prepaid Expenses	(4,356)	6,887
Inventory	(7,766)	4,218
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	(8,691)	170
Deferred Revenue	(20,491)	22,225
Other Liabilities	(517)	(1,994)
Payroll Liabilities	1,376	2,473
Net Cash Provided/(Used) by Operating Activities	90,174	(30,278)
<u>Cash Flows from Investing Activities</u>		
Purchase of Investments	(96,850)	(100,000)
Sale of Investments	2,385	100,000
Reinvestment of Interest & Dividends	(1,736)	(1,889)
Purchase of Fixed Assets	(10,241)	(1,744)
Net Cash Provided/(Used) by Investing Activities	(106,442)	(3,633)
Net Change in Cash	(16,268)	(33,911)
Cash and Equivalents, Beginning of Year	490,241	524,152
Cash and Equivalents, End of Year	\$ 473,973	\$ 490,241

The accompanying notes are an integral part of these financial statements.

American Whitewater
Notes to Financial Statements
Year Ended December 31, 2012

1. General Information and Summary of Significant Accounting Policies

Description of the Organization

American Whitewater is a nationally recognized non-profit organization whose mission is “To conserve and restore America’s whitewater resources and to enhance opportunities to enjoy them safely.” The organization’s central program areas are environmental conservation, river access, safety of recreational users and public education.

Funding

American Whitewater funds its operations primarily through membership fees, grants and contributions.

Corporate and Tax-Exempt Status

American Whitewater was incorporated under the laws of the state of Missouri in 1961 and has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. Contributions to the organization qualify for the charitable contribution deduction under Section 170(b)(1)(a). The organization is also classified as a publicly supported organization under Section 509(a)(2).

Basis of Accounting

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. As restrictions expire, net assets are reclassified to unrestricted net assets and are reported on the statement of activities as “Net assets released from restrictions.”

Financial Statement Presentation

U.S. GAAP establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally imposed restrictions. Descriptions of the three net asset classes are as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions and that are available for general operating expenses of the organization.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions as to the purpose and/or time of use.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization. (American Whitewater had no permanently restricted net assets as of December 31, 2012)

Cash and Cash Equivalents

For purposes of reporting on the statement of cash flows, the organization considers highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. Money market funds held with brokerage firms are not considered cash and cash equivalents.

Contributions and Grants Receivable

Unconditional contributions and grants receivable that are expected to be collected within one year are recorded at net realizable value.

Investments

In accordance with U.S. GAAP, investments in marketable securities with readily determinable fair market values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized and realized gains and losses are included in the change in net assets in the statement of activities.

Fair Value Measurements

American Whitewater follows FASB ASC 820-10 (Formerly SFAS No. 157) "Fair Value Measurements." This standard establishes a single definition of fair value and a framework for measuring fair value in U.S. GAAP. The new standard also expands disclosures about fair value measurements. Fair Value is defined as "the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. That is, fair value is based on an exit price, which may differ from the price paid to acquire the asset. If there is a principal market for the asset, fair value represents the price in that market." Items carried at fair value on a recurring basis by the AW consist primarily of investments and money market funds held at a brokerage firm.

Inventory

The inventory of books and promotional products is recorded at cost on the statement of financial position and is maintained on a first-in, first-out basis.

In Kind Contributions

In kind contributions are recognized in income and in expenses at estimated fair market value on the date of receipt. In situations where tangible goods are donated for sale or used for marketing purposes in the future, those items are recorded as inventory on the statement of financial position. Contributed services are recognized in the financial statements if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. When recognized, contributed services are reported at fair value.

Equipment

Purchases of equipment of \$1,500 or more per item are capitalized at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Income Taxes/Uncertain Tax Positions

American Whitewater is generally exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code. However, income from certain activities not related to the organization's tax-exempt purpose may be subject to taxation as unrelated business income. The organization had no income tax expense from unrelated business activities for the year ended December 31, 2012. The organization believes that it has appropriate support for tax positions taken on its 2012 federal Exempt Organization Business Income Tax Return (Form 990-T), and otherwise, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's Form's 990 and 990-T for 2009, 2010 and 2011 are subject to examination by the IRS, generally for three years after they were filed.

Lands Held for Protection

Land acquisitions are recorded at cost if purchased and at estimated fair market value if received by donation.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management estimate.

2. Cash and Cash Equivalents

Cash and cash equivalents are as follows:

<u>As of December 31</u>	<u>2012</u>	<u>2011</u>
Operating Checking	\$ 144,679	\$ 273,183
Restricted Checking	329,294	207,072
Undeposited Funds	-	9,986
Total Cash and Cash Equivalents	<u>\$ 473,973</u>	<u>\$ 490,241</u>

3. Investments

Investments consist of the following held by investment firms:

<u>As of December 31</u>	<u>2012</u>	<u>2011</u>
Money Market Funds	\$ 336,595	\$ 128,715
Equities	-	95,264
Total Investments	<u>\$ 336,595</u>	<u>\$ 223,979</u>

At the end of the year the organization made a change to its investment philosophy whereby it did not want to risk its investments in equities and moved this balance into the money market account.

4. Computer Equipment

Computer equipment consisted of the following:

<u>As of December 31</u>	<u>2012</u>	<u>2011</u>
Computer Equipment	\$ 16,209	\$ 18,409
Less: Accumulated Depreciation	(3,238)	(12,863)
Computer Equipment, Net	<u>\$ 12,971</u>	<u>\$ 5,546</u>

Depreciation expense for 2012 and 2011 was \$2,816 and \$2,513 respectively.

5. Accounts and Grants Receivable

Accounts receivable consists of amounts due from journal advertisers and sponsors. Management believes the receivables are fully collectible.

Grants receivable consists of the following amounts due from foundations:

<u>Years Ended December 31</u>	<u>2012</u>	<u>2011</u>
Hydropower Reform Coalition	\$ 37,924	\$ 33,338
Resources Legacy Fund	-	15,000
Total Grants Receivable	<u>\$ 37,924</u>	<u>\$ 48,338</u>

6. Lands Held for Protection

Lands held for protection consist of parcels of land held for river access. The lands are held for protection in accordance with the mission of the organization and will be preserved in perpetuity.

<u>As of December 31</u>	<u>2012</u>	<u>2011</u>
Whitewater Estates, KY (Elkhorn)	\$ 31,367	\$ 31,367
Warson Island, TN (Watauga)	17,414	17,414
Craig County, VA (John's Creek)	9,536	9,536
Hendricks, WV (Blackwater)	2,739	2,739
Total Lands Held for Preservation	<u>\$ 61,056</u>	<u>\$ 61,056</u>

7. Lease Commitments

American Whitewater leases office space on a month-to-month lease. Rent is \$450 per month.

8. Deferred Revenue

Deferred revenue consists primarily of unearned portions of sponsorship agreements unfulfilled as of year-end.

9. Benefit Plan

American Whitewater has a benefit plan that provides each employee with 15 percent of base salary which can be taken in the form of health insurance and/or 403(b) retirement plan contributions.

10. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes:

<u>As of December 31</u>	<u>2012</u>	<u>2011</u>
Campaign for the Montana Headwaters	\$ -	\$ 5,000
Conservation Alliance		
Colorado Region	-	3,067
Wild Olympics	22,117	5,015
Colorado Rivers Initiative	-	13,888
Hydropower Reform Coalition Projects		
California	2,921	2,294
Cold Water Pool Study	250	-
Frog Study	2,802	2,883
National	37,924	29,799
Pooled Funds	55,404	33,110
National Safety	7,400	-
Pacific Northwest Wild & Scenic Rivers Protec	-	6,397
Panebaker Memorial Fund	14,970	-
Resource Legacy Fund (RLF)	34	13,147
San Joaquin - Borel License	409	3,709
Save the Colorado	5,400	4,632
Stewardship		
Colorado	115,598	77,836
New York	5,464	12,423
Mid Atlantic	5,537	-
Northeast	52,001	-
Pacific Northwest	3,000	-
Upper Yough	1,807	-
Other Restricted Funds	4,267	3,647
Total Temporarily Restricted Net Assets	<u>\$ 337,305</u>	<u>\$ 216,847</u>

11. In-Kind Contributions

In-Kind Contributions were received and utilized for the following purposes:

<u>For the Year ended December 31</u>	<u>2012</u>	<u>2011</u>
Legal Services - Access and Conservation	\$ 99,260	\$ 78,097
Promotional/Educational Products	55,510	98,235
Event and Program Services	99,780	25,067
Total In-Kind Contributions	<u>\$ 254,550</u>	<u>\$ 201,399</u>

12. Fair Value Measurements

Fair Values of assets measured on a recurring basis at December 31, 2012 are as follows:

As of December 31:	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	\$ 336,595	\$ 336,595	\$ -	\$ -
Total	\$ 336,595	\$ 336,595	\$ -	\$ -

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets.

Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets.

Financial assets valued using Level 3 inputs are based on unobservable inputs such as those that apply to derivatives and split interest agreements.

13. Summarized Comparative Data

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2011 from which the summarized information was derived. In addition, certain reclassifications have been made to prior year information to facilitate comparison to the current year.

14. Subsequent Events

Subsequent events have been evaluated through May 2, 2013, which is the date the financial statements were available to be issued.