

**THE SHENANDOAH RESOURCE CONSERVATION AND DEVELOPMENT
COUNCIL**

Verona, Virginia

FINANCIAL STATEMENTS

Year Ended June 30, 2010

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To the Members of
The Shenandoah Resource Conservation and Development Council:

We have reviewed the accompanying statement of financial position of The Shenandoah Resource Conservation and Development Council (a nonprofit organization) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of The Shenandoah Resource Conservation and Development Council. The prior year summarized comparative information has been derived from the Organization's June 30, 2009 financial statements which were previously reviewed as indicated in our report dated September 22, 2009.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

As discussed in Note 9, certain errors resulting in an overstatement of previously reported grants receivable as of June 30, 2009, were discovered subsequent to the issuance of our report on those financial statements dated September 22, 2009. Accordingly, the accompanying 2009 financial statements have been restated to correct the error.

Woodstock, Virginia
September 29, 2010

THE SHENANDOAH RESOURCE CONSERVATION AND DEVELOPMENT COUNCIL

STATEMENT OF FINANCIAL POSITION

June 30, 2010

(With Summarized Financial Information for the Year Ended June 30, 2009)

ASSETS	2010	(As Restated) 2009
Cash	\$ 169,125	\$ 149,806
Grants Receivable	53,887	19,710
Property & Equipment (net)	<u>468</u>	<u>928</u>
Total Assets	\$ <u>223,480</u>	\$ <u>170,444</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued Expenses	<u>-</u>	<u>2,900</u>
Total Liabilities	<u>-</u>	<u>2,900</u>
Net Assets		
Unrestricted	12,465	10,633
Temporarily Restricted	<u>211,015</u>	<u>156,911</u>
Total Net Assets	<u>223,480</u>	<u>167,544</u>
Total Liabilities and Net Assets	\$ <u>223,480</u>	\$ <u>170,444</u>

See accompanying notes and accountant's report

THE SHENANDOAH RESOURCE CONSERVATION AND DEVELOPMENT COUNCIL

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

(With Summarized Financial Information for the Year Ended June 30, 2009)

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>	
			2010	2009 (As Restated)
Support and Revenue:				
Grant Income	\$ 41,232	\$ 124,324	\$ 165,556	\$ 159,781
Sponsor Dues	2,500	-	2,500	2,000
Interest Income	1,784	-	1,784	1,500
Reimbursements & Other Income	<u>1,363</u>	<u>-</u>	<u>1,363</u>	<u>6,690</u>
Total Support and Revenue	46,879	124,324	171,203	169,971
Net assets released from restrictions	<u>70,220</u>	<u>(70,220)</u>	<u>-</u>	<u>-</u>
Total support, revenue and reclassifications	<u>117,099</u>	<u>54,104</u>	<u>171,203</u>	<u>169,971</u>
Functional expense:				
Program services				
Conservation of Natural Resources	51,629	-	51,629	130,200
Sustainable Agriculture	29,042	-	29,042	61,913
Managed Growth	1,680	-	1,680	16,587
Strengthen Council Operations	15,470	-	15,470	-
Community Development	8,026	-	8,026	-
Management and general	<u>9,420</u>	<u>-</u>	<u>9,420</u>	<u>14,031</u>
Total functional expenses	<u>115,267</u>	<u>-</u>	<u>115,267</u>	<u>222,731</u>
Change in net assets	1,832	54,104	55,936	(52,760)
Net assets, beginning	10,633	181,911	192,544	220,304
Prior period adjustment	-	(25,000)	(25,000)	-
Net assets, beginning as restated	10,633	156,911	167,544	220,304
Net assets, ending	<u>\$ 12,465</u>	<u>\$ 211,015</u>	<u>\$ 223,480</u>	<u>\$ 167,544</u>

See accompanying notes and accountant's report

THE SHENANDOAH RESOURCE CONSERVATION AND DEVELOPMENT COUNCIL

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2010

(With Summarized Financial Information for the Year Ended June 30, 2009)

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	
			2010	2009 (As Restated)
Advertising	\$ -	\$ -	\$ -	\$ 2,110
Contractual Services	3,602	293	3,895	-
Council Promotion & Recognition	-	-	-	3,620
Depreciation	345	115	460	633
Documentation	3,314	-	3,314	4,500
Dues & Subscriptions	-	1,175	1,175	1,279
Guest Speakers	1,568	-	1,568	5,425
Grants	13,229	-	13,229	21,071
Insurance	4	1,000	1,004	1,334
Meeting Expenses	1,908	-	1,908	351
Miscellaneous Expenses	92	452	544	427
Office Supplies	293	183	476	122
Outside Support	3,600	-	3,600	15,150
Personnel	15,538	-	15,538	46,132
Phone	287	-	287	1,137
Postage	493	329	822	391
Printing	1,795	46	1,841	-
Project Equipment	58,160	-	58,160	103,168
Professional Fees	150	4,350	4,500	4,350
Travel	1,090	1,319	2,409	7,132
Workshops	379	158	537	4,399
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	\$ <u>105,847</u>	\$ <u>9,420</u>	\$ <u>115,267</u>	\$ <u>222,731</u>

See accompanying notes and accountant's report

THE SHENANDOAH RESOURCE CONSERVATION AND DEVELOPMENT COUNCIL

STATEMENT OF CASH FLOWS

Year Ended June 30, 2010

(With Summarized Financial Information for the Year Ended June 30, 2009)

	<u>2010</u>	<u>(As Restated) 2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received From:		
Grants	\$ 131,379	\$ 184,229
Sponsor Dues	2,500	2,000
Interest Income	1,784	1,500
Reimbursements	1,363	6,690
	<u>137,026</u>	<u>194,419</u>
Cash Disbursed:		
Advertising	-	(2,110)
Consulting	(3,895)	-
Council Promotion & Recognition	-	(3,620)
Documentation	(3,314)	(4,500)
Dues & Subscriptions	(1,175)	(1,279)
Guest Speakers	(1,568)	(5,425)
Grants	(13,229)	(21,071)
Insurance	(1,004)	(1,334)
Meeting Expenses	(1,908)	(351)
Miscellaneous Expenses	(544)	(427)
Office Supplies	(476)	(122)
Outside Support	(4,500)	(14,250)
Personnel	(15,538)	(46,132)
Phone	(287)	(1,137)
Postage	(822)	(391)
Printing	(3,841)	(1,000)
Project Equipment	(58,160)	(113,002)
Professional Fees	(4,500)	(4,350)
Travel	(2,409)	(7,132)
Workshops	(537)	(4,399)
	<u>(117,707)</u>	<u>(232,032)</u>
Net Cash Provided (Used) by Operating Activities	\$ 19,319	\$ (37,613)
CASH, beginning of year	\$ <u>149,806</u>	\$ <u>187,419</u>
CASH, end of year	\$ <u><u>169,125</u></u>	\$ <u><u>149,806</u></u>
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ 55,936	\$ (52,760)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	460	633
(Increase) Decrease in operating assets:		
Grant Receivable	(34,177)	24,448
Decrease in operating liabilities:		
Accrued Expenses	(2,900)	(9,934)
Net Cash Provided (Used) by Operating Activities	\$ <u>19,319</u>	\$ <u>(37,613)</u>

See accompanying notes and accountant's report

**THE SHENANDOAH RESOURCE CONSERVATION AND DEVELOPMENT
COUNCIL**

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Nature of Activities

The Shenandoah Resource Conservation and Development Council, Inc. is a non-profit, non-stock corporation located in Verona, Virginia. The Resource Conservation and Development (RC&D) Program is a nation-wide United States Department of Agriculture program administered by the Natural Resources Conservation Service (NRCS). RC&D areas are locally sponsored areas designated by the Secretary of Agriculture for RC&D technical and financial assistance. The Shenandoah RC&D area was approved by the Secretary of Agriculture in 2003 as a designated area and includes the following counties: Augusta, Clarke, Frederick, Page, Rockingham, Shenandoah and Warren; and the cities of: Staunton, Waynesboro, and Winchester.

The RC&D provides a community-based vehicle for assisting in the regional management and development of the natural, social, and economic resources of the Shenandoah River watershed. The Shenandoah RC&D's mission is to sponsor and promote projects and programs that improve the quality of life and sustainable use of natural resources, primarily in the Shenandoah River watershed area, by providing volunteer leadership, technical resources, and financial assistance. The Organization's support comes primarily from grants and donated services.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Income Taxes

Income taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and similar state provisions. On October 17, 2007, Shenandoah RC&D received a final ruling from the Internal Revenue Service which classified the organization as a public charity under code section 170(b)(1)(A)(vi).

Estimates

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

**THE SHENANDOAH RESOURCE CONSERVATION AND DEVELOPMENT
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NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards in SFAS No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets – Net assets are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. There were no permanently restricted net assets at June 30, 2010.

Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, "Accounting for Contributions Received and Contributions Made". In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**THE SHENANDOAH RESOURCE CONSERVATION AND DEVELOPMENT
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NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Functional 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.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

Note 2. Grants Receivable

At June 30, 2010, grants receivable are to be received by the Organization during the subsequent fiscal year and are deemed to be fully collectible by management.

Note 3. Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are carried at cost. Depreciation is computed using the double declining method over estimated useful lives ranging from three to five years. Property and equipment consist of the following at June 30, 2010:

Computer Equipment	\$ 4,193
Less: Accumulated Depreciation	<u>(3,725)</u>
Property and Equipment, net	<u>\$ 468</u>

Depreciation expense for the period ending June 30, 2010 totaled \$460.

**THE SHENANDOAH RESOURCE CONSERVATION AND DEVELOPMENT
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NOTES TO FINANCIAL STATEMENTS

Note 4. Temporarily Restricted Net Assets

At June 30, 2010, temporarily restricted net assets are restricted for the following purposes:

Sustainable Agriculture	\$ 62,674
Adaptive Fencing Project	139,687
Conservation of Natural Resources	2,363
Wind & Solar Energy On-Farm	4,000
Green Infrastructure	<u>2,291</u>
	<u>\$211,015</u>

Note 5. Concentration of Contributions or Grants

For the period ending June 30, 2010, the Organization received over 64% of its annual support from the following sources:

Chesapeake Bay Trust	44%
Agua Fund, Inc.	20%

The concentration of support makes the Organization vulnerable to the risk of a near term severe impact. It is at least reasonably possible to ascertain that grant funding could cease in the near term which would have a significant effect on the activities and programs of the organization.

Note 6. Association with a Federal Agency

The United States Department of Agriculture, Natural Resources Conservation Service (NRCS), is the departmental agency responsible for administration of those activities under the Resource Conservation and Development (RC&D) Program. As a result, the Organization has a memorandum of understanding with NRCS to support the Shenandoah RC&D designated area. As part of the arrangement, NRCS provides an RC&D Coordinator and administrative staff to support the programs of the Organization. In addition, NRCS provides office space and related equipment and supplies. The estimated value of this support for the year ended June 30, 2010 is \$147,434, which has not been reflected in the Statement of Activities. Without the benefit of this arrangement with NRCS, the Organization would have to assume these costs in order to continue to provide services to the community at current levels.

**THE SHENANDOAH RESOURCE CONSERVATION AND DEVELOPMENT
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NOTES TO FINANCIAL STATEMENTS

Note 7. Conditional Grants Payable

At June 30, 2010, the Organization has authorized grants payable totaling \$15,106, contingent upon achievement of project deliverables.

Note 8. Reclassifications

Certain line items in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. Specifically, the 2009 comparative totals on the Statement of Activities for Conservation of Natural Resources program expense was changed from \$25,163 to \$197,519. Managed Growth program expense was changed from \$197,519 to \$25,163. The net effect of this change on net assets was zero.

In addition, the 2009 comparative totals for the value of donated services and support of \$143,875 was removed from the statement of activities and functional expenses to conform to current year reporting. The net effect of this change on net assets was zero.

Note 9. Prior Period Adjustments

Certain errors resulting in an overstatement of previously reported grants receivable were discovered during the current year. Accordingly, an adjustment of \$25,000 was made during 2010 to reduce grants receivable as of the beginning of the year. A corresponding entry was made to reduce previously reported net assets. In addition, the comparative totals for the year ending June 30, 2009 were restated to reduce grants receivable and grant income by \$25,000.

Note 10. Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and promises to give receivable. The Organization maintains its cash balances in two financial institutions located in Virginia. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2010, the Company's uninsured cash balances total zero.

Concentrations of credit risk with respect to unconditional promises to give are limited based on supporting grant contracts with proven funding sources. As of June 30, 2010, the Organization had no significant concentrations of credit risk with respect to promises to give receivable.

Note 11. Date of Management's Review

Management has evaluated subsequent events through September 29, 2010, the date on which the financial statements were available to be issued.