

**FRIENDS OF THE RIVER**

Independent Auditor's Report  
and Financial Statements

Year Ended December 31, 2014

**FRIENDS OF THE RIVER  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Friends of the River  
Sacramento, CA

We have audited the accompanying financial statements of Friends of the River (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, 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 require 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 above present fairly, in all material respects, the financial position of Friends of the River as of December 31, 2014, and the changes in its net assets and cash flows for the year then ended in accordance with principles generally accepted in the United States of America.

*Fritzsche Associates, Inc.*

Certified Public Accountant  
Sacramento, California  
June 13, 2015

**FRIENDS OF THE RIVER  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2014**

**Assets**

Current assets:

Cash and equivalents	\$	219,019
Unconditional promises to give		21,078
Accounts receivable		4,458
Prepaid expenses		<u>15,954</u>
Total current assets		260,509

Fixed assets, at cost less

accumulated depreciation of \$16,826		7,271
Deposits		<u>5,777</u>
Total assets	\$	<u><u>273,557</u></u>

**Liabilities and Net Assets**

Current liabilities:

Accounts payable	\$	32,615
Accrued expenses		<u>14,370</u>
Total current liabilities		46,985

Net assets:

Unrestricted		171,997
Temporarily restricted		<u>54,575</u>
Total net assets		<u>226,572</u>
Total liabilities and net assets	\$	<u><u>273,557</u></u>

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

**FRIENDS OF THE RIVER  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Unrestricted	Temporarily Restricted	Total
Support and Revenue:			
Contributions	\$ 288,551	-	\$ 288,551
Donated services	432,100	-	432,100
Grants and contracts	-	\$ 48,000	48,000
Special event revenue	161,401	-	161,401
Less: Cost of direct benefits to donors	(43,052)	-	(43,052)
Interest income	143	-	143
Other income	6,353	-	6,353
Net assets released from restrictions	163,307	(163,307)	-
 Total support and revenue	1,008,803	(115,307)	893,496
 Expenses:			
Program services	761,689	-	761,689
CHRC	86,916	-	86,916
 Total program services	848,605	-	848,605
 Supporting Services:			
Fund development	99,709	-	99,709
General and administrative	83,297	-	83,297
 Total supporting services	183,006	-	183,006
 Total expenses	1,031,611	-	1,031,611
 Change in net assets	(22,808)	(115,307)	(138,115)
Net assets, beginning of year	194,805	169,882	364,687
Net assets, end of year	\$ 171,997	\$ 54,575	\$ 226,572

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

**FRIENDS OF THE RIVER  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Program Services	CHRC	Fund Development	General & Administrative	Total
Salaries & wages	\$ 131,009	\$ 40,156	\$ 47,371	\$ 24,027	\$ 242,563
Employee benefits	26,608	19,856	9,621	4,880	60,965
Payroll taxes	12,313	3,774	4,452	2,258	22,797
Accounting fees	-	-	-	9,880	9,880
Bank & payroll charges	-	-	-	13,189	13,189
Books & subscriptions	6,384	-	2,334	2,297	11,015
Contract services	57,110	19,678	5,436	16,257	98,481
Depreciation expense	2,429	-	70	33	2,532
Donated services	432,100	-	-	-	432,100
Dues, memberships, & licenses	1,469	-	-	246	1,715
Equipment lease & rental	11,461	-	572	883	12,916
Equipment repair & maintenance	2,913	270	674	904	4,761
Insurance	8,620	-	1,765	782	11,167
Legal fees	672	-	-	-	672
List rental expense	-	-	70	-	70
Meals & entertainment	3,992	-	406	812	5,210
Miscellaneous	480	2,545	135	-	3,160
Postage & shipping	1,368	-	3,316	1,696	6,380
Printing & publication	7,941	5	14,716	461	23,123
Rent	29,258	-	5,659	2,628	37,545
Supplies	13,616	-	860	402	14,878
Telephone, fax & e-mail	8,849	250	1,702	794	11,595
Travel & mileage	2,832	382	499	844	4,557
Utilities	265	-	51	24	340
Total expenses	<u>\$ 761,689</u>	<u>\$ 86,916</u>	<u>\$ 99,709</u>	<u>\$ 83,297</u>	<u>\$ 1,031,611</u>

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

**FRIENDS OF THE RIVER  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

Cash flows from operating activities:	
Change in net assets	\$ (138,115)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	2,532
Decrease in unconditional promises to give	33,422
Decrease in accounts receivable	2,136
Increase in prepaid expenses	(6,994)
Decrease in security deposits	4,510
Increase in accounts payable	28,378
Increase in accrued expenses	<u>1,364</u>
Net cash used in operating activities	<u>(72,767)</u>
 Cash flows from investing activities:	
Purchase of fixed assets	<u>(6,826)</u>
Net cash used in investing activities	<u>(6,826)</u>
 Net decrease in cash	(79,593)
Cash and equivalents, December 31, 2013	<u>298,612</u>
Cash and equivalents, December 31, 2014	<u>\$ 219,019</u>

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



**FRIENDS OF THE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE A – SUMMARY OF PROGRAM AND SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization

Friends of the River (FOR) based in Sacramento, California, is a not-for-profit organization incorporated in 1976 under the laws of the State of California. The specific and primary purpose for which the organization was formed is for the preservation, protection, and restoration of rivers, streams, and their watersheds, through public education, citizen activist training and organizing, and expert advocacy to influence public policy.

Basis of Presentation

The financial statements of FOR have been prepared on the accrual basis of accounting. FOR reports information regarding financial position and activities according to three classes of net assets: unrestricted net asset, temporarily restricted net assets, and permanently restricted net assets.

**Unrestricted net assets** – Net assets that 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 FOR and/or the passage of time. Temporarily restricted net assets amounted to \$54,575 at December 31, 2014.

**Permanently restricted net assets** – Net assets to be held in perpetuity as directed by donors. The income from the contributions is available to support activities as designated by donors. There were no permanently restricted net assets at December 31, 2014.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor restriction or by law.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary 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.

**FRIENDS OF THE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue Recognition

Participant fees and revenue from special events are recognized as revenue when the applicable activity or event is completed. Revenues collected in advance, if any, are deferred until earned.

Fixed Assets

Acquisitions of fixed assets in excess of \$2,500 are capitalized and stated at cost. Donated property and equipment is reported at fair value at the date of the gift. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets.

Cash and Equivalents

Cash and equivalents consist of cash on hand and highly liquid investments with original or remaining maturities of three months or less at the time of purchase.

Allowance for Doubtful Accounts

No provision has been made for uncollectible accounts, as management considers all accounts to be currently collectible. Uncollectible accounts are expensed on an individual basis when they are deemed to no longer be collectible.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Functional Expenses

The costs of providing the program services and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Indirect costs are allocated among programs and supporting services based on personnel, space, and other factors.

**FRIENDS OF THE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income Tax Status

FOR is exempt from income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and related California code sections. FOR is considered a public charity and has been classified as an organization that is not a private foundation under IRC Section 509(a)(2).

Management of FOR has evaluated the tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist. With few exceptions, FOR is no longer subject to income tax examinations by federal authorities for years ending December 31, 2010 and before and by state authorities for years ending December 31, 2009 and before.

**NOTE B – UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give, all of which are due within twelve months and considered fully collectible, consisted of the following at December 31, 2014:

Hewlett Foundation	\$ 13,500
Other	<u>7,578</u>
Total	<u>\$ 21,078</u>

**NOTE C –FIXED ASSETS**

Fixed assets consisted of the following at December 31, 2014:

Rafts	\$ 21,324
Computers	2,773
Less: accumulated depreciation	<u>(16,826)</u>
Total	<u>\$ 7,271</u>

Depreciation expense was \$2,532 for the year ended December 31, 2014.

**FRIENDS OF THE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE D – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2014:

CHRC Program Work	\$ 28,813
Hewlett Foundation	13,278
Other Conservation Grants	<u>12,484</u>
Total	<u>\$ 54,575</u>

**NOTE E – COMMITMENTS**

FOR leases office space and a business machine under non-cancellable operating leases, which expire in July 2018 and November 2017, respectively. The following is a schedule of future minimum rental payments required under the above operating leases for the years ended December 31:

2015	\$ 60,230
2016	61,578
2017	61,764
2018	<u>28,312</u>
Total future minimum rental payments	<u>\$ 211,884</u>

Rental expense was \$44,522 for the year ended December 31, 2014.

**NOTE F – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of substantially all reported assets and liabilities which represent financial instruments (none of which are held for trading purposes) approximate the carrying value of such amounts.

**NOTE G – DONATED FACILITIES, GOODS AND SERVICES**

FOR has received donated services from a variety of unpaid volunteers assisting in leadership, committees, fund-raising activities and program services. The value of this donated time is not reflected in the accompanying financial statements since it does not meet the criteria for recognition as a contribution.

**FRIENDS OF THE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE G – DONATED FACILITIES, GOODS AND SERVICES (CONTINUED)**

FOR has also received substantial donated legal services in connection with the following issues:

**Protection of the Delta**

With the San Francisco Bay-Delta at the center of water policymaking in California, FOR's legal team strives to save this estuary for wildlife, water quality, recreation and local farmers. In 2014, State and Federal agencies proposed the Bay Delta Conservation Plan (BDCP), which included plans to divert water from the Sacramento River to the State and Federal water projects. The legal team evaluated the impacts of the project, met with government officials, and submitted comments identifying the legal violations and impacts to wildlife which would be caused by the BDCP. These efforts, along with the efforts of other interested parties, succeeded to convince the government to abandon the BDCP. In 2015, the government announced its plans for the California WaterFix, instead of the BDCP. The legal team will continue advocating for wildlife in the Delta to ensure that ecosystem needs are not ignored.

**Litigation to Protect Levee Vegetation**

In 2014, FOR's legal team reached a settlement with the United States Army Corps of Engineers (USACE). Following Hurricane Katrina, USACE demanded that levee owners receiving federal assistance for levee maintenance or repair remove all levee trees. Unfortunately, California has only 5% of its historic riparian habitat, most of which is on levees. Removing these levee trees would have destroyed the remainder of this precious habitat and cost California roughly \$7 billion. After challenging USACE's anti-vegetation requirements in court, FOR's legal team, along with the Center for Biological Diversity and Defenders of Wildlife, entered a settlement with USACE, whereby USACE agreed to revise its levee management policy in accordance with federal legislation. Today, USACE may not require the removal of a levee tree unless the tree is found to present a threat to levee integrity.

**Preventing Construction of New Dam Projects**

As an advocate for free-flowing rivers, FOR opposes dam projects that will impact wildlife, environment, and recreation. These dam projects include the proposed raising of Shasta Dam and construction of Temperance Flat Dam. In 2014, the legal team supported FOR's investigation of these dam projects and helped increase public awareness of these expensive, destructive projects. If the State or Federal governments approve these dam projects, the legal team will continue to advance FOR's campaign against deadbeat dams.

The value of these donated legal services totaled \$432,100 and was recorded as donated services in the accompanying statements of activities and functional expenses for the year ended December 31, 2014.

**FRIENDS OF THE RIVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2014**

**NOTE H – CONCENTRATIONS OF CREDIT RISK**

FOR maintains a majority of its cash in bank deposit accounts that, at times, may exceed federally insured limits. FOR has not experienced any losses in such accounts. Management believes FOR is not exposed to any significant credit risk related to cash.

**NOTE I – CONTINGENCIES**

FOR has been awarded certain grants and contracts and is subject to financial and compliance requirements of the grantors or their representatives. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time although management does not expect such amounts, if any, to materially affect the financial statements.

**NOTE J – SUBSEQUENT EVENTS**

The management of FOR has reviewed the results of operations for the period of time from its year end December 31, 2014 through June 13, 2015, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.