

FRIENDS OF THE RIVER

Independent Auditor's Report
and Financial Statements

Year Ended December 31, 2015

**FRIENDS OF THE RIVER
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

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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, 2015, 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, 2015, 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 Accountants
Sacramento, California
July 11, 2016

FRIENDS OF THE RIVER
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

Assets

Current assets:

Cash and equivalents	\$ 191,918
Unconditional promises to give	51,711
Accounts receivable	679
Prepaid expenses	<u>13,103</u>
Total current assets	257,411

Fixed assets, at cost less

accumulated depreciation of \$17,182	5,838
Deposits	6,484
Other assets	<u>2,704</u>
Total assets	<u><u>\$ 272,437</u></u>

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 28,501
Accrued expenses	<u>7,813</u>
Total current liabilities	36,314

Net assets:

Unrestricted	121,842
Temporarily restricted	<u>114,281</u>
Total net assets	<u>236,123</u>
Total liabilities and net assets	<u><u>\$ 272,437</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, 2015**

	Unrestricted	Temporarily Restricted	Total
Support and Revenue:			
Contributions	\$ 238,153	\$ 47,080	\$ 285,233
Donated services	334,000	-	334,000
Grants and contracts	8,000	109,962	117,962
Special event revenue	183,123	-	183,123
Less: Cost of direct benefits to donors	(47,178)	-	(47,178)
Interest income	99	-	99
Other income	192	-	192
Net assets released from restrictions	<u>97,336</u>	<u>(97,336)</u>	<u>-</u>
 Total support and revenue	 <u>813,725</u>	 <u>59,706</u>	 <u>873,431</u>
Expenses:			
Program services	<u>713,003</u>	<u>-</u>	<u>713,003</u>
 Total program services	 <u>713,003</u>	 <u>-</u>	 <u>713,003</u>
Supporting Services:			
Fund development	84,598	-	84,598
General and administrative	<u>66,279</u>	<u>-</u>	<u>66,279</u>
 Total supporting services	 <u>150,877</u>	 <u>-</u>	 <u>150,877</u>
 Total expenses	 <u>863,880</u>	 <u>-</u>	 <u>863,880</u>
 Change in net assets	 (50,155)	 59,706	 9,551
Net assets, beginning of year	<u>171,997</u>	<u>54,575</u>	<u>226,572</u>
Net assets, end of year	<u><u>\$ 121,842</u></u>	<u><u>\$ 114,281</u></u>	<u><u>\$ 236,123</u></u>

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, 2015**

	Program Services	Fund Development	General & Administrative	Total
Salaries & wages	\$ 163,761	\$ 33,386	\$ 20,278	\$ 217,425
Employee benefits	26,569	5,417	3,290	35,276
Payroll taxes	14,361	2,928	1,778	19,067
Accounting fees	-	-	18,040	18,040
Bank & payroll charges	19	-	9,897	9,916
Books & subscriptions	7,598	1,392	674	9,664
Contract services	59,686	6,526	1,284	67,496
Depreciation expense	1,705	298	142	2,145
Donated services	334,000	-	-	334,000
Dues, memberships, & licenses	1,391	-	384	1,775
Equipment lease & rental	11,372	2,190	1,130	14,692
Equipment repair & maintenance	5,097	982	1,217	7,296
Insurance	5,725	1,479	1,978	9,182
Meals & entertainment	4,919	104	269	5,292
Miscellaneous	50	62	44	156
Postage & shipping	3,936	5,301	608	9,845
Printing & publication	18,802	16,751	134	35,687
Rent	29,877	5,473	2,649	37,999
Supplies	15,350	416	672	16,438
Telephone, fax & e-mail	7,322	1,691	1,408	10,421
Travel & mileage	1,248	161	384	1,793
Utilities	215	41	19	275
Total expenses	<u>\$ 713,003</u>	<u>\$ 84,598</u>	<u>\$ 66,279</u>	<u>\$ 863,880</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, 2015**

Cash flows from operating activities:	
Change in net assets	\$ 9,551
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	2,145
Gain on disposal of fixed asset	(192)
Increase in unconditional promises to give	(30,633)
Decrease in accounts receivable	3,779
Decrease in prepaid expenses	2,851
Increase in security deposits	(707)
Increase in other assets	(2,704)
Decrease in accounts payable	(4,114)
Decrease in accrued expenses	<u>(6,557)</u>
Net cash used in operating activities	<u>(26,581)</u>
Cash flows from investing activities:	
Purchase of fixed assets	<u>(520)</u>
Net cash used in investing activities	<u>(520)</u>
Net decrease in cash	(27,101)
Cash and equivalents, December 31, 2014	<u>219,019</u>
Cash and equivalents, December 31, 2015	<u><u>\$ 191,918</u></u>

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

**FRIENDS OF THE RIVER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015**

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 \$114,281 at December 31, 2015.

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, 2015.

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, 2015**

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 fixed assets are 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, 2015**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unconditional Promises to Give

Contributions are recognized when the donor makes a pledge to give to FOR that is, in substance, unconditional. FOR uses the allowance method to estimate uncollectible promises to give. The allowance is based on collection experience in prior years and management's analysis of specific promises made. FOR considers all promises to give at December 31, 2015, to be fully collectible within one year; accordingly, no allowance for doubtful accounts is required.

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.

NOTE B –FIXED ASSETS

Fixed assets consisted of the following at December 31, 2015:

Rafts	\$ 21,324
Computers	1,696
Less: accumulated depreciation	<u>(17,182)</u>
Total	<u>\$ 5,838</u>

Depreciation expense was \$2,145 for the year ended December 31, 2015.

**FRIENDS OF THE RIVER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015**

NOTE C – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2015:

Promises to give	\$ 43,980
G 15	28,573
CHRC Program Work	27,170
Environment Now	11,458
Donor advised	<u>3,100</u>
 Total	 <u><u>\$ 114,281</u></u>

NOTE D – 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:

2016	\$ 61,578
2017	61,764
2018	<u>28,312</u>
 Total future minimum rental payments	 <u><u>\$ 151,654</u></u>

Rental expense was \$44,976 for the year ended December 31, 2015.

NOTE E – 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 F – 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, 2015**

NOTE F – DONATED FACILITIES, GOODS AND SERVICES (CONTINUED)

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

Protection of the Delta and Upstream Tributaries

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. The proposed Bay Delta Conservation Plan (BDCP), which includes plans to build two massive tunnels to divert water from the Sacramento River to the State and Federal water projects, would further degrade the Delta. In 2015, the government revised the BDCP and re-released a similar plan for the tunnels called the California WaterFix. The legal team reviewed the revised project, met with government officials, and submitted comments on the re-released environmental review that identified the legal violations and impacts to wildlife which would be caused by the project. The team is also representing FOR in the proceeding at the State Water Resources Control Board to change the point of diversion for the State Water Project—a regulatory requirement for the California WaterFix to move forward. Finally, the team continued litigation on the restoration plan for the Delta Stewardship Council for releasing a plan that presumes the water tunnels will be built as opposed to reviewing and considering other scenarios. The judge in this case recently ruled that the plan must be revised to evaluate a broader set of options and alternatives.

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 2015, the legal team supported FOR's investigation of these dam projects particularly with regard to the proposed raise of Shasta Dam to evaluate possible legal violations of the project and the final Environmental Review which was released in August of 2015. If the State or Federal governments approve these dam projects, the legal team will continue to advance FOR's campaign against deadbeat dams with a focus on identifying potential legal challenges.

The value of these donated legal services totaled \$334,000 and was recorded as donated services in the accompanying statements of activities and functional expenses for the year ended December 31, 2015.

**FRIENDS OF THE RIVER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015**

NOTE G – 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 H – 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 I – SUBSEQUENT EVENTS

The management of FOR has reviewed the results of operations for the period of time from its year end December 31, 2015 through July 11, 2016, 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.