

**FRIENDS OF THE RIVER**

Independent Auditor's Report  
and Financial Statements

Year Ended December 31, 2016

**FRIENDS OF THE RIVER  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

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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, 2016, 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, 2016, 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, CA

May 30, 2017

**FRIENDS OF THE RIVER**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**

**Assets**

Current assets:

Cash and equivalents	\$ 137,028
Contributions receivable	61,608
Prepaid expenses	<u>3,842</u>
Total current assets	202,478

Fixed assets, net	4,211
Deposits	6,529
Other assets	<u>4,591</u>
Total assets	<u><u>\$ 217,809</u></u>

**Liabilities and Net Assets**

Current liabilities:

Accounts payable	\$ 8,995
Accrued expenses	<u>8,273</u>
Total current liabilities	17,268

Net assets:

Unrestricted	83,689
Temporarily restricted	<u>116,852</u>
Total net assets	<u>200,541</u>
Total liabilities and net assets	<u><u>\$ 217,809</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, 2016**

	Unrestricted	Temporarily Restricted	Total
Support and Revenue:			
Contributions	\$ 61,068	\$ 165,128	\$ 226,196
Donated services	383,300	-	383,300
Grants and contracts	129,800	-	129,800
Special event revenue	193,853	-	193,853
Less: Cost of direct benefits to donors	(37,728)	-	(37,728)
Interest income	73	-	73
Other income	128	-	128
Net assets released from restrictions	<u>162,557</u>	<u>(162,557)</u>	<u>-</u>
 Total support and revenue	 <u>893,051</u>	 <u>2,571</u>	 <u>895,622</u>
Expenses:			
Program services	<u>728,522</u>	<u>-</u>	<u>728,522</u>
 Total program services	 <u>728,522</u>	 <u>-</u>	 <u>728,522</u>
Supporting Services:			
Fund development	78,526	-	78,526
General and administrative	<u>124,156</u>	<u>-</u>	<u>124,156</u>
 Total supporting services	 <u>202,682</u>	 <u>-</u>	 <u>202,682</u>
 Total expenses	 <u>931,204</u>	 <u>-</u>	 <u>931,204</u>
 Change in net assets	 (38,153)	 2,571	 (35,582)
Net assets, beginning of year	<u>121,842</u>	<u>114,281</u>	<u>236,123</u>
Net assets, end of year	<u><u>\$ 83,689</u></u>	<u><u>\$ 116,852</u></u>	<u><u>\$ 200,541</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, 2016**

	Program Services	Fund Development	General & Administrative	Total
Salaries & wages	\$ 137,460	\$ 21,429	\$ 48,762	\$ 207,651
Employee benefits	40,049	6,243	14,207	60,499
Payroll taxes	12,597	1,964	4,469	19,030
Accounting fees	-	-	23,205	23,205
Bank & payroll charges	-	-	18,360	18,360
Books & subscriptions	7,258	1,330	512	9,100
Contract services	27,217	3,211	596	31,024
Depreciation expense	1,137	392	98	1,627
Donated services	383,300	-	-	383,300
Equipment lease & rental	8,762	1,663	497	10,922
Equipment repair & maintenance	4,750	1,162	3,027	8,939
Insurance	6,653	760	4,306	11,719
Licenses & fees	693	-	299	992
Meals & entertainment	4,973	-	93	5,066
Miscellaneous	102	90	271	463
Postage & shipping	1,769	6,555	151	8,475
Printing & publication	17,316	22,375	440	40,131
Rent	34,358	6,297	2,422	43,077
Supplies	19,993	2,009	1,282	23,284
Telephone, fax & e-mail	8,090	2,228	705	11,023
Travel & mileage	11,997	738	239	12,974
Utilities	48	80	215	343
Total expenses	<u>\$ 728,522</u>	<u>\$ 78,526</u>	<u>\$ 124,156</u>	<u>\$ 931,204</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, 2016**

Cash flows from operating activities:	
Change in net assets	\$ (35,582)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	1,627
Realized and unrealized losses on investments	11
Donated securities	(6,753)
Increase in contributions receivable	(9,218)
Decrease in prepaid expenses	9,261
Increase in security deposits	(45)
Decrease in accounts payable	(19,506)
Increase in accrued expenses	460
Net cash used in operating activities	<u>(59,745)</u>
Cash flows from investing activities:	
Proceeds from sale of investment securities	6,858
Change in investment cash	<u>(2,003)</u>
Net cash provided by investing activities	<u>4,855</u>
Net decrease in cash	(54,890)
Cash and equivalents, beginning of year	<u>191,918</u>
Cash and equivalents, end of year	<u><u>\$ 137,028</u></u>
Supplemental cash flow information:	
Donated investment securities	<u><u>\$ 6,753</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, 2016**

**NOTE A – 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.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The financial statements of FOR have been prepared on the accrual basis of accounting. FOR reports 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 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 \$116,281 at December 31, 2016.

**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, 2016.

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, 2016**

**NOTE B – 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.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year financial statement presentation.

**FRIENDS OF THE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Contributions receivable

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 contributions receivable. The allowance is based on collection experience in prior years and management's analysis of specific promises made. FOR considers all contributions receivable at December 31, 2016, 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 C – FIXED ASSETS**

Fixed assets consisted of the following at December 31, 2016:

Rafts	\$ 21,324
Computers	1,696
Less: accumulated depreciation	<u>(18,809)</u>
Total	<u>\$ 4,211</u>

Depreciation expense was \$1,627 for the year ended December 31, 2016.

**FRIENDS OF THE RIVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**NOTE D – INVESTMENTS**

In accordance with generally accepted accounting principles, FOR uses the following prioritized input levels to measure fair value. The input levels used for valuing instruments 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 reporting entity'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 are reported at fair value and consist of the following at December 31, 2016:

	Total	Level 1	Level 2	Level 3
Equities	\$ 2,535	\$ 2,535	\$ --	\$ --
<b>Investments carried at fair value</b>	2,535	<u>\$ 2,535</u>	<u>\$ --</u>	<u>\$ --</u>
Deposit accounts*	<u>2,056</u>			
<b>Total investments</b>	<u>\$ 4,591</u>			

\* Deposit accounts included in the investment portfolio are not subject to provisions of fair value measurements as they do not meet the FASB definition of a security.

Investment income and losses consists of the following for the year ended December 31, 2016:

Interest and dividends	\$ 39
Net realized and unrealized losses	<u>128</u>
Total investment income and losses	<u>\$ 167</u>

**FRIENDS OF THE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

**NOTE E – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2016:

G 16	\$ 73,645
Promises to give	33,208
CHRC Program Work	5,779
FS 16 Beyond Searsville	<u>4,220</u>
Total	<u>\$ 116,852</u>

**NOTE F – 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:

2017	\$ 44,912
2018	<u>19,549</u>
Total future minimum rental payments	<u>\$ 64,461</u>

Rental expense was \$46,074 for the year ended December 31, 2016.

**NOTE G – DONATED 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.

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

**FRIENDS OF THE RIVER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2016**

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

**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 \$383,300 and was recorded as donated services in the accompanying statements of activities and functional expenses for the year ended December 31, 2016.

**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.

**FRIENDS OF THE RIVER**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2016**

**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, 2016 through May 30, 2017, 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.