



**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**FRIENDS OF THE RIVER FOUNDATION**

**December 31, 2019**

# **FRIENDS OF THE RIVER FOUNDATION**

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## **INDEPENDENT AUDITOR'S REPORT**

### **The Board of Directors Friends of the River Foundation**

We have audited the accompanying financial statements of Friends of the River Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 from 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 Foundation as of December 31, 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "WILLIAMS &amp; OLDS".

Sacramento, California  
February 1, 2021

# FRIENDS OF THE RIVER FOUNDATION

## STATEMENT OF FINANCIAL POSITION

As of December 31, 2019

### **ASSETS**

Cash and cash equivalents	\$	281,860
Investments		5,256
Accounts receivable, net		14,000
Contributions receivable, net		255,435
Prepaid expenses and other assets		19,297
Beneficial interest in assets held by Placer Community Foundation		83,850
Property and equipment, net		<u>13,001</u>

<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>672,699</u></b>
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### **LIABILITIES AND NET ASSETS**

#### **LIABILITIES**

Accounts payable	\$	3,475
Accrued liabilities		<u>8,688</u>

<b>TOTAL LIABILITIES</b>		<b>12,163</b>
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#### **COMMITMENTS AND CONTINGENCIES**

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#### **NET ASSETS**

Without donor restrictions	509,216
With donor restrictions	<u>151,320</u>

<b>TOTAL NET ASSETS</b>	<b><u>660,536</u></b>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>672,699</u></b>
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See accompanying notes to the financial statements.

# FRIENDS OF THE RIVER FOUNDATION

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Grants and contributions	\$ 497,831	\$ 153,453	\$ 651,284
In-kind contributions	338,400	-	338,400
Special event, less direct costs of \$34,370	168,591	-	168,591
Investment return, net	217	11,905	12,122
Rental income	16,805	-	16,805
<i>Net assets released from restrictions</i>	<u>131,474</u>	<u>(131,474)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	1,153,318	33,884	1,187,202
<b>EXPENSES</b>			
Program services	<u>693,547</u>	<u>-</u>	<u>693,547</u>
Total program services	<u>693,547</u>	<u>-</u>	<u>693,547</u>
Supporting services			
General and administrative	99,190	-	99,190
Fund development	<u>69,185</u>	<u>-</u>	<u>69,185</u>
Total supporting services	<u>168,376</u>	<u>-</u>	<u>168,376</u>
<b>TOTAL EXPENSES</b>	<u>861,923</u>	<u>-</u>	<u>861,923</u>
<b>CHANGE IN NET ASSETS</b>	291,395	33,884	325,279
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>217,821</u>	<u>117,436</u>	<u>335,257</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 509,216</u>	<u>\$ 151,320</u>	<u>\$ 660,536</u>

See accompanying notes to the financial statements.

# FRIENDS OF THE RIVER FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	<u>Program</u>	<u>Fund Development</u>	<u>General &amp; Administrative</u>	<u>Total</u>
Salaries and wages	\$ 214,689	\$ 46,879	\$ 16,469	\$ 278,037
Employee benefits	18,117	5,990	476	24,583
Payroll taxes	<u>17,251</u>	<u>3,807</u>	<u>1,304</u>	<u>22,362</u>
<b>TOTAL SALARIES AND RELATED EXPENSES</b>	<u>250,057</u>	<u>56,676</u>	<u>18,249</u>	<u>324,982</u>
Donated services	338,400	-	-	338,400
Rent	18,215	4,425	25,494	48,134
Accounting fees	-	-	13,059	13,059
Contract services	14,946	1,303	241	16,490
Printing & publication	2,608	4,084	462	7,155
Licenses & fees	13,014	(80)	602	13,536
Bank & payroll charges	-	6,719	2,505	9,224
Supplies	4,931	413	270	5,614
Telephone, fax & email	5,362	1,284	2,712	9,358
Insurance	7,393	1,798	355	9,546
Books & subscriptions	4,718	6,065	644	11,427
Equipment repair & maintenance	6,202	1,359	60	7,620
Meals & entertainment	13,508	-	1,433	14,941
Postage & shipping	3,873	11,896	1,532	17,301
Advertising & promotion	1,221	941	18	2,181
Utilities	209	22	10	240
Travel & mileage	5,003	1,312	974	7,289
Equipment lease & rental	2,117	639	229	2,984
Depreciation expense	945	49	228	1,222
Miscellaneous	<u>825</u>	<u>287</u>	<u>109</u>	<u>1,221</u>
<b>TOTAL EXPENSES</b>	<u>\$ 693,547</u>	<u>\$ 99,190</u>	<u>\$ 69,185</u>	<u>\$ 861,923</u>

See accompanying notes to the financial statements.

# FRIENDS OF THE RIVER FOUNDATION

## STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2019

### CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 325,279
<i>Adjustments to reconcile change in net assets to net cash used in operating activities:</i>	
Depreciation	1,222
Realized and unrealized (gain) on investments	(83)
Realized and unrealized (gain) on beneficial interest	(17,858)
Changes in operating assets and liabilities:	
Accounts receivable	135
Contributions receivable	(239,190)
Prepaid expenses and other assets	(11,456)
Accounts payable	1,886
Accrued liabilities	1,036
	<u>(264,308)</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES** 60,971

### CASH FLOWS FROM INVESTING ACTIVITIES:

Cash paid for purchases of investments	(7,194)
Proceeds from sale of investments	4,767
Cash paid for purchase of property and equipment	<u>(3,958)</u>

**NET CASH USED IN INVESTING ACTIVITIES** (6,385)

**NET CHANGE IN CASH AND CASH EQUIVALENTS** 54,586

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** 227,274

**CASH AND CASH EQUIVALENTS AT END OF YEAR** \$ 281,860

See accompanying notes to the financial statements.



# FRIENDS OF THE RIVER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### **NOTE A - ORGANIZATION**

Friends of the River Foundation (the Foundation) 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 the Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**Measure of Operations:** The Statements of Activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Foundation's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature. There were no nonoperating activities during 2019.

**Use of Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash Equivalents:** For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

# FRIENDS OF THE RIVER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions Receivable: Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Based on historical experience, an assessment of economic conditions, and a review of subsequent collections, management expects all such contributions to be collectible. Accordingly, no allowance for uncollectible contributions has been established as of December 31, 2019. As of December 31, 2019, the Foundation's contributions receivable balance was \$255,435.

Fair Value: The Foundation applies the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establishes a fair value hierarchy that prioritizes the information used in developing fair value estimates, and require disclosure of fair value measurements by level within the fair value hierarchy. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

*Level 1:* Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

*Level 2:* Observable market-based inputs or unobservable inputs that are corroborated by market data.

*Level 3:* Unobservable inputs reflecting the reporting entity's own assumptions, which require the most judgment.

Investments: The Foundation carries investments in marketable securities at their fair values in the Statement of Financial Position. Purchases and sales of securities are reflected on a trade-date basis. Unrealized and realized gains and losses are included in the accompanying Statement of Activities. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date. Investment income and gains restricted by a donor are reported as increases or decreases in net assets with or without donor restrictions depending on the nature of the restrictions.

Property and Equipment: The Foundation capitalizes all expenditures for property and equipment in excess of \$2,500. Purchased property and equipment are carried at cost. Donated fixed assets are recorded at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the assets.

# FRIENDS OF THE RIVER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### **NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenue and Revenue Recognition: Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and Facilities: Donated services and facilities are recognized as public support and as a corresponding expense at the estimated fair value on the date donated. Donated services and facilities are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with these skills, and would otherwise be purchased by the Foundation.

Functional Allocation of Expenses: Expenses that can be identified with a specific program or supporting service are charged directly to the related program or service. Expenses associated with more than one program or supporting service are allocated to functional categories using allocation methods appropriate to the nature of the expense, including personnel, space, time and other factors.

Income Tax Status: The Foundation is a not-for-profit organization exempt from income taxes under Internal Revenue Code Section 501(c)(3), and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been made.

Uncertainty in Income Taxes: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Foundation to report information regarding its exposure to various tax positions taken by the Foundation. The Foundation has determined whether any tax positions have met the recognition threshold and have measured the exposure to those tax positions. Management believes that the Foundation has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Foundation are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Financial Instruments and Credit Risk: The Foundation manages deposit concentrations risk by placing cash, money market accounts, and certificates of deposits with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from organizations supportive of our mission.

# FRIENDS OF THE RIVER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncement: In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. We have implemented the provisions of ASU 2018-08 effective January 1, 2019 applicable to both contributions received and contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation.

### NOTE C - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodologies used for investments measured at fair value during the year ended December 31, 2019.

*U.S. Securities:* Valued at closing price reported on the active market on which the individual securities are traded.

*Beneficial interest in assets held by Placer Community Foundation:* The beneficial interest in assets held at the Community Foundation has been valued, as a practical expedient, at the fair value of the Foundation's share of the Community Foundation's investment pool as of the measurement date. The Community Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the Community Foundation, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Community Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the valuation methods are appropriate and consistent within the industry, the use of different methodologies or assumption to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying balance sheet measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
U.S. Securities	\$ 5,256	\$ -	\$ -	\$ 5,256
Beneficial interest in assets held by Placer Community Foundation	-	-	83,850	83,850
Total investments	\$ 5,256	\$ -	\$ 83,850	\$ 89,106

# FRIENDS OF THE RIVER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### NOTE C – INVESTMENTS AND FAIR VALUE MEASUREMENTS - Continued

#### Beneficial Interest

The Foundation has transferred assets to the Placer Community Foundation (the Community Foundation). The agreement states that the transfer is irrevocable and that the assets will not be returned to the Foundation. However, the Community Foundation will make distributions of income earned on the funds to the Foundation, subject to the foundations spending policy. The Foundation has granted the Community Foundation variance power which allows the Community Foundation, at its sole discretion and subject to certain conditions, to modify any condition or restriction on the distribution of funds. The Foundation reports the fair value of the fund as beneficial interest in assets held at the Community Foundation in the statement of financial position and reports distributions received as investment income. Changes in the value of the fund are reported as gains or losses in the statement of activities. Changes in the fund for the year ended December 31, 2019 are as follows:

Balance, beginning of year	\$	65,992
Contributions		5,953
Change in value, net		13,042
Administrative fees		<u>(1,137)</u>
Balance, end of year	\$	<u>83,850</u>

### NOTE D – FIXED ASSETS

Property and equipment consist of the following at December 31, 2019:

Rafts	28,428
Office Equipment	7,048
Less: accumulated depreciation	<u>(22,475)</u>
Total	<u>13,001</u>

### NOTE E – DONATED SERVICES

The Foundation 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.

The Foundation has also received substantial donated legal services, the value of these services totaled \$338,400 and was recorded as donated services in the accompanying statements of activities and functional expenses for the year ended December 31, 2019.

# FRIENDS OF THE RIVER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### NOTE F – COMMITMENTS AND CONTINGENCIES

#### Operating Leases

The Foundation leases office space under a non-cancelable operating lease through October 2021. Total rent expense under this non-cancellable operating lease amounted to \$46,050 for the year ended December 31, 2019. Future minimum lease payments required under the lease are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2020	\$ 48,252
2021	<u>41,895</u>
	<u>\$ 90,147</u>

#### Contingencies

The Foundation 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 G - NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2019:

#### **Subject to Expenditure for Specified Purpose:**

River protection	\$ <u>151,320</u>
Total net assets with donor restrictions	\$ <u>151,320</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors:

#### **Purpose Restrictions Accomplished:**

River protection	\$ <u>131,474</u>
Total restrictions released	\$ <u>131,474</u>

## FRIENDS OF THE RIVER FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE H – AVAILABILITY AND LIQUIDITY**

The following represents the Foundation's financial assets at December 31, 2019:

Financial assets at year-end:		
Cash and cash equivalents	\$	281,860
Investments		5,256
Accounts receivable, net		14,000
Contributions receivable, net		255,435
Beneficial interest in assets held by Placer Community Foundation		12,261
<b>Total financial assets</b>		<u>568,812</u>
Less amounts not available to be used within one year:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose restriction		138,699
		<u>138,699</u>
Financial assets available to meet general expenditures within one year	\$	<u>430,113</u>

The Foundation's goal is to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested.

#### **NOTE I – SUBSEQUENT EVENTS**

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through February 1, 2021, the date that the financial statements were available to be issued. Management is currently evaluating the impact of the COVID-19 pandemic in the industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the Foundation's financial position and results of its operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.