

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

**FRIENDS OF THE RIVER FOUNDATION**

**December 31, 2022**

# **FRIENDS OF THE RIVER FOUNDATION**

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**INDEPENDENT AUDITOR'S REPORT**

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

**Opinion**

We have audited the accompanying financial statements of Friends of the River Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friends of the River Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Emphasis of Matter**

As discussed in Note F to the financial statements, the Friends of the River Foundation changed the manner in which it accounts for leases in 2022. Our opinion is not modified with respect to this matter.

**Responsibility of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of the River Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or

the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Friends of the River Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of the River Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



El Dorado Hills, California  
June 23, 2023

# FRIENDS OF THE RIVER FOUNDATION

## STATEMENT OF FINANCIAL POSITION

December 31, 2022

### **ASSETS**

Cash and cash equivalents	\$	679,912
Accounts receivable, net		995
Contributions receivable, net		119,473
Prepaid expenses and other assets		13,710
Beneficial interest in endowment fund, held at Placer Community Foundation		87,870
Operating lease right-of-use assets, net		31,579
Property and equipment, net		<u>12,615</u>

**TOTAL ASSETS** \$ 946,154

### **LIABILITIES AND NET ASSETS**

#### **LIABILITIES**

Accounts payable	\$	2,562
Accrued liabilities		9,098
Funds held for others		29,220
Operating lease liabilities		34,612
EIDL loan payable		<u>148,059</u>

**TOTAL LIABILITIES** 223,551

#### **COMMITMENTS AND CONTINGENCIES**

-

#### **NET ASSETS**

Without donor restrictions	594,117
With donor restrictions	<u>128,486</u>

**TOTAL NET ASSETS** 722,603

**TOTAL LIABILITIES AND NET ASSETS** \$ 946,154

See accompanying notes to the financial statements.

# FRIENDS OF THE RIVER FOUNDATION

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Grants and contributions	\$ 348,765	\$ 60,300	\$ 409,065
Contributions of nonfinancial assets	113,611	-	113,611
Special event, less direct costs of \$18,013	107,315	-	107,315
Investment return, net	(17)	(16,871)	(16,888)
<i>Net assets released from restrictions</i>	<u>71,917</u>	<u>(71,917)</u>	<u>-</u>
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	641,591	(28,488)	613,103
<b>OPERATING EXPENSES</b>			
Program services	357,419	-	357,419
Supporting services			
Fund development	82,466	-	82,466
General and administrative	63,798	-	63,798
Total supporting services	<u>146,264</u>	<u>-</u>	<u>146,264</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>503,683</u>	<u>-</u>	<u>503,683</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	137,908	(28,488)	109,420
<b>NON-OPERATING ACTIVITIES</b>			
Forgiveness of Paycheck Payroll Protection Note	<u>72,062</u>	<u>-</u>	<u>72,062</u>
<b>TOTAL NON-OPERATING EXPENSES</b>	<u>72,062</u>	<u>-</u>	<u>72,062</u>
<b>CHANGE IN NET ASSETS</b>	209,970	(28,488)	181,482
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>384,147</u>	<u>156,974</u>	<u>541,121</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 594,117</u>	<u>\$ 128,486</u>	<u>\$ 722,603</u>

See accompanying notes to the financial statements.

# FRIENDS OF THE RIVER FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	<u>Program</u>	<u>Fund Development</u>	<u>General &amp; Administrative</u>	<u>Total</u>
Salaries and wages	\$ 177,197	\$ 31,129	\$ 31,129	\$ 239,455
Employee benefits	14,386	2,527	2,241	19,154
Payroll taxes	<u>15,757</u>	<u>2,767</u>	<u>2,105</u>	<u>20,629</u>
<b>TOTAL SALARIES AND RELATED EXPENSES</b>	<u>207,340</u>	<u>36,423</u>	<u>35,475</u>	<u>279,238</u>
Rent	19,317	3,141	6,174	28,632
Accounting fees	-	-	732	732
Contract services	103,090	23,853	8,879	135,822
Printing & publication	206	5,278	46	5,530
Licenses & fees	1,195	1,001	131	2,327
Bank & payroll charges	2,095	3,996	995	7,086
Supplies	2,469	1,653	2,514	6,636
Telephone, fax & email	6,316	1,110	1,110	8,536
Insurance	7,286	812	269	8,367
Books & subscriptions	4,131	-	448	4,579
Equipment repair & maintenance	621	109	528	1,258
Meals & entertainment	1,026	-	200	1,226
Postage & shipping	40	3,099	49	3,188
Advertising & promotion	7	1,734	-	1,741
Utilities	44	8	8	60
Travel & mileage	594	-	240	834
Equipment lease & rental	223	-	-	223
Interest expense	-	-	5,751	5,751
Depreciation expense	<u>1,419</u>	<u>249</u>	<u>249</u>	<u>1,917</u>
<b>TOTAL EXPENSES</b>	<u>\$ 357,419</u>	<u>\$ 82,466</u>	<u>\$ 63,798</u>	<u>\$ 503,683</u>

See accompanying notes to the financial statements.

# FRIENDS OF THE RIVER FOUNDATION

## STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2022

### CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 181,482
<i>Adjustments to reconcile change in net assets to net cash used in operating activities:</i>	
Depreciation	(6,083)
Noncash lease expense	9,162
Noncash contribution received	(200)
Donated equity securities	(5,667)
Realized and unrealized (gain) loss on investments	34
Realized and unrealized (gain) on beneficial interest	16,671
Forgiveness of Note Payable - Paycheck Protection Program	(72,062)
Changes in operating assets and liabilities:	
Accounts receivable	15,005
Contributions receivable	(84,351)
Prepaid expenses and other assets	8,079
Accounts payable	(3,221)
Accrued liabilities	2,011
Funds held for others	10,000
Operating lease liabilities	(6,129)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>64,731</b>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of investments	5,633
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>5,633</b>

### CASH FLOWS FROM FINANCING ACTIVITIES:

Repayment of debt	(1,941)
Proceeds from contributions restricted for long-term purposes	100
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(1,841)</b>

**NET CHANGE IN CASH AND CASH EQUIVALENTS** 68,523

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** 611,389

**CASH AND CASH EQUIVALENTS AT END OF YEAR** \$ 679,912

### SUPPLEMENTARY INFORMATION:

Cash paid for income taxes	\$ -
Cash paid for interest	\$ 5,751
Leased assets obtained in exchange for new operating lease liabilities	\$ 40,741

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.

**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 and 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**

Grants, Contributions and Contributions Receivable: Grants and contributions are recognized when cash, securities, or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Assets received with donor-imposed conditions are reported as “Refundable Advances” in the Statement of Financial Position until the conditions have been substantially met.

Grants and contributions received are recorded as support with or without donor restrictions, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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, 2022.

Contribution of Nonfinancial Assets: 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. During 2022, the contributed nonfinancial assets consisted of contributed professional services from a highly skilled professional for assisting in management activities. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

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).

# FRIENDS OF THE RIVER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### **NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

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.

**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.

# FRIENDS OF THE RIVER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### **NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**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 the Federal Deposit Insurance Corporation (FDIC) 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.

**Adopted Accounting Pronouncement:** In February 2016, the FASB issued ASU 2016-02, *Leases*, regarding accounting for leases. The standard aims to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The Foundation adopted the new standard in the year ended December 31, 2022, which is discussed further in Note F.

On January 1, 2022, the Foundation elected to adopt Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

### **NOTE C – INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Following is a description of the valuation methodologies used for investments measured at fair value during the years ended December 31, 2022.

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

*Beneficial interest in endowment funds held at Placer Community Foundation:* The beneficial interest in endowment funds 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.

# FRIENDS OF THE RIVER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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

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 table presents 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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in endowment funds held at Placer Community Foundation	\$ <u>-</u>	\$ <u>-</u>	\$ <u>87,870</u>	\$ <u>87,870</u>
Total investments	\$ <u>-</u>	\$ <u>-</u>	\$ <u>87,870</u>	\$ <u>87,870</u>

### Beneficial Interest

The Foundation has transferred assets to the Placer Community Foundation (the Community Foundation) to establish a Permanently Endowed Designated Fund (the Endowment Fund) (see Note I). The agreement states that the transfer is irrevocable and that the assets will not be returned to the Foundation. 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 Endowment Fund as beneficial interest in endowment fund held at Placer 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 years ended December 31, 2022:

Balance, beginning of year	\$ 104,641
Contributions	100
Change in value, net	(15,498)
Administrative fees	<u>(1,373)</u>
Balance, end of year	\$ <u>87,870</u>

# FRIENDS OF THE RIVER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### **NOTE D – FIXED ASSETS**

Property and equipment consist of the following at December 31, 2022:

Rafts	\$	28,428
Software		8,000
Office Equipment		7,048
Total Property and Equipment		<u>43,476</u>
Less: accumulated depreciation		<u>(30,861)</u>
Total	\$	<u>12,615</u>

### **NOTE E – NOTES PAYABLE**

#### SBA Loan

On March 3, 2021, the Foundation received a U.S. Small Business Administration Loan (the “SBA Loan”) from Cross River Bank, pursuant to the Paycheck Protection Program (the “PPP”) established under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), in the amount of \$72,062. The application for these funds required the Foundation in good faith to certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Foundation. This certification further required the Foundation to take into account current business activity and the ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. On May 5, 2022, the SBA loan has been fully forgiven by the SBA and the Foundation is not responsible for any repayments.

#### Economic Injury Disaster Loan

On June 5, 2020, the Foundation executed a secured loan with the U.S. Small Business Administration (“SBA”) under its Economic Injury Disaster Loan (“EIDL”) assistance program, which was expanded pursuant to the CARES Act. The principal amount of the EIDL Loan is \$150,000, with proceeds to be used for working capital purposes. The loan is secured by all tangible and intangible assets of the Foundation. Interest on the EIDL Loan accrues at a rate of 2.75% per annum. Installment payments, including principal and interest, are due monthly beginning June 15, 2021 in the amount of \$641. The balance of principal and interest is payable thirty years from the date of the EIDL Loan.

Annual principal on the loan is due as follows:

Year ended December 31,		
2023	\$	3,689
2024		3,758
2025		3,873
2026		3,981
2027		4,093
Thereafter		<u>128,665</u>
Total	\$	<u>148,059</u>

# FRIENDS OF THE RIVER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### **NOTE F – LEASES**

In February 2016, the FASB issued ASU 2016-02 (Topic 842) *Leases*, and has subsequently issued supplemental and/or clarifying ASUs (collectively, “ASC 842”). Topic 842 supersedes the lease requirements in Accounting Standards Codification Topic 840, *Leases*. Under Topic 842, lessees are required to recognize assets and liabilities on the statement of financial position for most leases and provide enhanced disclosures. Leases are classified as either financing or operating.

The Foundation adopted Topic 842 effective January 1, 2022, applying this guidance to all leases as of that date using the modified retrospective method. The Foundation elected the practical expedient options of not reassessing (i) expired or existing contracts for whether they are or contain a lease (ii) the lease classification of any existing leases or (iii) initial direct costs for existing leases. The Foundation has also elected the policy exemption allowing lessees to combine lease and non-lease components by class of underlying asset and has applied this expedient to all relevant asset classes.

Operating leases costs were \$7,276 during 2022. As of December 31, 2022 the weighted-average remaining lease term is 2.5 years, and the weighted average discount rate is 2.04%. Future minimum lease payments under these operating leases as of December 31, 2022 were as follows:

	2023	\$	13,664
	2024		14,127
	2025		7,180
	2026		-
	2027		-
	Thereafter		-
Total future minimum lease payments		\$	34,971
Less: imputed interest			(359)
Total operating lease liabilities		\$	<u>34,612</u>

### **NOTE G – COMMITMENTS AND CONTINGENCIES**

#### 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 H - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of grants, contributions and other funding received for the purpose of fulfilling the Foundation’s primary mission. Net assets with donor restrictions also consist of endowment funds held to support the mission of the Foundation.

# FRIENDS OF THE RIVER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### **NOTE H - NET ASSETS WITH DONOR RESTRICTIONS – Continued**

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2022:

Subject to Expenditure for Specified Purpose:	
River protection	\$ <u>40,416</u>
Total Subject to Expenditure for Specified Purpose:	<u>40,416</u>
Endowments (See Note I):	
Subject to endowment spending policy and appropriation:	
River protection	<u>7,581</u>
Total endowments	<u>7,581</u>
Not subject to spending policy or appropriation:	
Beneficial interest in endowment fund held by	
Community Foundation	<u>80,489</u>
Total net assets with donor restrictions	\$ <u>128,486</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>71,197</u>
Total restrictions released	\$ <u>71,197</u>

### **NOTE I – ENDOWMENT FUND**

In 2017, the Foundation transferred assets to the Community Foundation to establish the Endowment Fund, which is restricted to supporting the primary missions of the Foundation. The Board of Directors established a spending policy whereby 5% of the fair market value of the Endowment Fund balance is available to be distributed annually.

The Foundation is subject to the State of California's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which governs the management and use of donor-restricted endowment funds held by charitable organizations. Accounting principles generally accepted in the United States provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA and also improve disclosures about an organization's endowment funds.

Consistent with UPMIFA and Board policy, the Foundation classifies as net assets with donor restrictions the original value of gifts (including subsequent gifts) of donor-restricted endowment and, if applicable, accumulations of donor-restricted endowments as required by the donor. Accumulated earnings of donor-restricted endowments are classified as net assets with donor restrictions until distributed in accordance with UPMIFA and Board policy.



# FRIENDS OF THE RIVER FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### **NOTE I – ENDOWMENT FUND – Continued**

The Trustees have adopted an investment policy which governs the management and oversight of the Foundation's Endowment Fund and other investments. Foundation assets are diversified appropriately using Modern Portfolio Theory concepts, as required by UPMIFA. The endowment funds are invested in a well-diversified asset mix by the Community Foundation, which includes equity and debt securities.

The following represents the changes in beneficial interest in endowment fund net assets for the year ended December 31, 2022:

Endowment net assets, beginning of year	\$ 104,641
Contributions	300
Investment loss	(15,498)
Administrative fees	<u>(1,373)</u>
Endowment net assets, end of year	\$ <u>88,070</u>

As of December 31, 2022 we had the following endowment net asset composition by type of fund:

Donor restricted endowment funds	
Original donor-restricted and additional gift amounts required to be maintained in perpetuity by donor	\$ 80,289
Contribution receivable	200
Accumulated investment gains (losses)	<u>7,581</u>
Total donor-restricted endowment funds	\$ <u><u>88,070</u></u>

### **NOTE J – AVAILABILITY AND LIQUIDITY**

The following represents the Foundation's financial assets at December 31, 2022:

Financial assets at year-end:	
Cash and cash equivalents	\$ 679,912
Accounts receivable, net	995
Contributions receivable, net	119,473
Appropriation from beneficial interest in endowment fund held by Community Foundation	<u>87,870</u>
<b>Total financial assets</b>	<u><u>888,250</u></u>

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## NOTES TO FINANCIAL STATEMENTS

### **NOTE J – AVAILABILITY AND LIQUIDITY – Continued**

Less amounts not available to be used within one year:	
Contractual or donor-imposed restrictions:	
Beneficial interest in endowment fund held by	
Community Foundation	88,070
Restricted by donor with purpose restriction	40,416
Funds held for others	<u>29,220</u>
	<u>157,706</u>
Financial assets available to meet general expenditures	
within one year	\$ <u><u>730,544</u></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 K – RELATED PARTY TRANSACTIONS**

The Foundation stores all boating equipment in a rented shed and holds river advocacy training school events at Camp Lotus, which is owned by a member of the Board of Directors. Amounts paid to Camp Lotus for these services are at a discounted rate. For the year ended December 31, 2022, the Foundation paid \$1,440.

### **NOTE L – SUBSEQUENT EVENTS**

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 23, 2023, the date that the financial statements were available to be issued.