

1000 Friends of Oregon

Audited Financial Statements

For the Year Ended March 31, 2016



MCDONALD JACOBS

Shareholders

Mark A. Clift, CPA

Jill Oswald

Karin S. Wandtke, CPA

Sang Ahn, CPA

Gerard DeBlois Jr., CPA

Mary Strasdin, CPA

Anthony Almer, CPA

Principals

Jake Jacobs, CPA

Susan J. Marks, CPA

Tyee Carr, CPA

Victor Epstein, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
1000 Friends of Oregon

We have audited the accompanying financial statements of 1000 Friends of Oregon (a nonprofit corporation), which comprise the statement of financial position as of March 31, 2016, and the related statements of activities 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 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 organization'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 organization'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 1000 Friends of Oregon as of March 31, 2016, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited 1000 Friends of Oregon's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 15, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
September 24, 2016

1000 FRIENDS OF OREGON
STATEMENT OF FINANCIAL POSITION
March 31, 2016
(With comparative totals for 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 226,671	\$ 158,343
Investments	2,542,458	2,725,084
Accounts and pledges receivable	-	6,710
Prepaid expenses and deposits	17,703	14,130
Beneficial interest in perpetual trust	125,741	139,738
Furniture and equipment, net	6,581	9,847
 TOTAL ASSETS	 \$ 2,919,154	 \$ 3,053,852
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 28,104	\$ 25,122
Deferred lease liability	17,046	20,260
Total liabilities	45,150	45,382
Net assets (deficit):		
Unrestricted	(104,284)	60,950
Temporarily restricted	177,547	132,782
Permanently restricted	2,800,741	2,814,738
Total net assets	2,874,004	3,008,470
 TOTAL LIABILITIES AND NET ASSETS	 \$ 2,919,154	 \$ 3,053,852

See notes to financial statements.

1000 FRIENDS OF OREGON
STATEMENT OF ACTIVITIES
For the year ended March 31, 2016
(With comparative totals for 2015)

	2016			Total	2015 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
Contributions and event revenue, net of \$34,794 expenses in 2016 and \$59,386 expenses in 2015	\$ 100,425	\$ 20,000	\$ -	\$ 120,425	\$ 102,172
Grants	76,000	57,500	-	133,500	75,700
Donated services	10,622	-	-	10,622	9,326
Dues and memberships	542,289	-	-	542,289	562,379
Investment income (loss)	(56,345)	(8,866)	-	(65,211)	117,694
Change in value of perpetual trust	-	-	(13,997)	(13,997)	(1,512)
Net assets released from restrictions:					
Satisfaction of program restrictions	23,869	(23,869)	-	-	-
Total support and revenue	696,860	44,765	(13,997)	727,628	865,759
Expenses:					
Program	581,273	-	-	581,273	515,551
Management and general	85,640	-	-	85,640	85,358
Fundraising	195,181	-	-	195,181	167,415
Total expenses	862,094	-	-	862,094	768,324
Change in net assets	(165,234)	44,765	(13,997)	(134,466)	97,435
Net assets (deficit):					
Beginning of year	60,950	132,782	2,814,738	3,008,470	2,911,035
End of year	\$ (104,284)	\$ 177,547	\$ 2,800,741	\$ 2,874,004	\$ 3,008,470

See notes to financial statements.

1000 FRIENDS OF OREGON
STATEMENT OF CASH FLOWS
For the year ended March 31, 2016
(With comparative totals for 2015)

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ (134,466)	\$ 97,435
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,266	3,266
Net realized/unrealized (gain) loss on investments	104,732	(79,305)
Change in value of perpetual trust	13,997	1,512
(Increase) decrease in:		
Accounts and pledges receivable	6,710	(6,710)
Prepaid expenses and deposits	(3,573)	13,515
Increase (decrease) in:		
Accounts payable and accrued expenses	2,982	50
Deferred lease liability	(3,214)	(1,685)
Net cash provided by (used in) operating activities	(9,566)	28,078
 Cash flows from investing activities:		
Proceeds from the sale of investments	120,230	118,847
Purchase of investments	(42,336)	(25,251)
Net cash provided by investing activities	77,894	93,596
 Cash flows from financing activities:		
Net repayments on line of credit	-	(30,000)
Net cash used in financing activities	-	(30,000)
 Net increase in cash and cash equivalents	68,328	91,674
 Cash and cash equivalents - beginning of year	158,343	66,669
 Cash and cash equivalents - end of year	\$ 226,671	\$ 158,343
 Supplemental cash flow information:		
Cash paid for interest	\$ 1,929	\$ 1,504

See notes to financial statements.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS
March 31, 2016

I. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

1000 Friends of Oregon (the Organization) is an Oregon not-for-profit corporation working on land use issues at federal, state and local levels. The Organization provides no-cost legal assistance to citizens, performs planning and research, and educates the public about land-use laws and issues. Revenues are primarily from contributions from individuals and foundations located in Oregon.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets based on the existence or absence of donor-imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.
- Permanently restricted net assets represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Investments

Investments are carried at fair value. Donor-restricted investment income is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Pledges Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2016

I. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Furniture and Equipment

Acquisitions of furniture and equipment greater than \$500 and with an anticipated long-term future benefit are capitalized. Furniture and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Depreciation

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets which range from 3 to 5 years.

Deferred Lease Liability

Escalating lease obligations are expensed over the life of the lease on a straight-line basis over the lease term. The difference between the lease obligation and the straight-line amount is reflected as deferred lease liability.

Donated Assets and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2016

I. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Income Tax Status

1000 Friends of Oregon is a not-for-profit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code and comparable state law. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC *Topic Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

The Organization's informational returns for years ended March 31, 2012 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated all subsequent events through July 20, 2016, the date the financial statements were available to be issued.

Summarized Financial Information for 2015

The financial information as of March 31, 2015 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2016

2. INVESTMENTS

The Organization has established investment funds with the Oregon Community Foundation (OCF). The primary purpose of the funds is to maintain endowments of the Organization. The fund is administered as a component of OCF and is subject to OCF's Articles of Incorporation and Bylaws.

Under the terms of the agreement, variance power has been granted to OCF, however, the Organization is the beneficiary of the funds and the transfer is reciprocal in nature. Accordingly, OCF recognizes the fund as a liability on its statement of financial position.

Investments of the Organization consist of the following at March 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Beneficial interest in investments at		
Oregon Community Foundation	\$ 2,280,047	\$ 2,475,500
Short-term treasury funds	<u>262,411</u>	<u>249,584</u>
Total investments	<u>\$ 2,542,458</u>	<u>\$ 2,725,084</u>
Investment income consists of:		
Interest and dividends	\$ 39,521	\$ 38,389
Net realized/unrealized gain (loss)	<u>(104,732)</u>	<u>79,305</u>
Total investment income (loss)	<u>\$ (65,211)</u>	<u>\$ 117,694</u>

3. BENEFICIAL INTEREST IN PERPETUAL TRUST

The Organization was named the ultimate beneficiary of an irrevocable trust (split-interest agreement) held by Wells Fargo on behalf of the Organization. Under the terms of the trust, the Organization will receive 10% of the assets of the trust upon the death of the current beneficiary. The beneficial interest in the trust is valued at the Organization's entitled percentage of the fair market value of the investments and is reported as permanently restricted. (See Note 9.) The change in value of the perpetual trust was (\$13,997) and (\$1,512) for the years ended March 31, 2016 and 2015, respectively.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2016

4. FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following at March 31, 2016 and 2015:

	2016	2015
Furniture and equipment	\$ 89,578	\$ 89,578
Donor database	11,000	11,000
	100,578	100,578
Accumulated depreciation	(93,997)	(90,731)
Furniture and equipment, net	\$ 6,581	\$ 9,847

5. LINE OF CREDIT

The Organization has a stand-alone revolving line of credit with a financial institution. Interest on the line is payable monthly on outstanding advances with interest at the Wall Street Journal prime rate (3.50% at March 31, 2016) plus a 1.5% basis point but not less than 5% annually. The line expires November 2016 and is secured by all business assets. There were no advances outstanding on the line at March 31, 2016 and March 31, 2015.

6. LEASE COMMITMENTS

The Organization leases its administrative offices under a noncancellable operating leases expiring December 2018 with monthly rent payments approximating \$5,000. Rent expense under for these leases approximates \$52,700 per year.

A portion of the office space is subleased to an unaffiliated nonprofit organization. Annual rent expense is offset by \$7,000 and \$10,000 in sublease rental income for the years ended March 31, 2016 and 2015, respectively.

The Organization also leases office equipment through October 2019 at a cost of approximately \$400 per month.

Future minimum lease commitments under operating leases are as follows:

Year ending March 31, 2017	\$ 58,500
2018	60,100
2019	45,400
Total	\$ 164,000

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2016

7. UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following at March 31, 2016 and 2015:

	2016	2015
Undesignated	\$ 166,082	\$ 167,026
Board designated	197,737	185,718
Endowment deficit (Note 14)	(468,103)	(291,794)
Total unrestricted net assets (deficit)	\$ (104,284)	\$ 60,950

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at March 31, 2016 and 2015:

	2016	2015
Urban ecology	\$ -	\$ 3,014
Circuit Ride program	40,000	-
Regional Equity Atlas	26,922	-
Vintner's Fund	62,475	62,475
Unappropriated endowment earnings (Note 14)	48,150	67,293
Total temporarily restricted net assets	\$ 177,547	\$ 132,782

9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following donor-restricted endowment funds which permanently restrict the principal portion of the endowment but permit the utilization of investment income for programs:

	2016	2015
Templeton Fund	\$ 2,500,000	\$ 2,500,000
Gerhardt Fund	150,000	150,000
Rekate Fund	25,000	25,000
Interest in perpetual trust	125,741	139,738
Total permanently restricted net assets	\$ 2,800,741	\$ 2,814,738

Also see Note 14, Endowment.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2016

10. RETIREMENT PLAN

The Organization offers two pension plans to eligible employees. One is a 403(b) plan that only accepts employee salary deferrals. There is no employer match or discretionary contribution. The other plan is a Simplified Employee Pension (SEP) plan. Under this plan, the Organization contributes two percent of the salaries of eligible employees each year. Contributions to the plan totaled \$5,781 and \$5,124 for the years ended March 31, 2016 and 2015, respectively.

11. EXPENSES

The Organization's natural expense classifications are summarized as follows for the years ended March 31:

	2016	2015
Personnel expenses	\$ 597,035	\$ 569,386
Professional fees	110,784	73,560
Telephone	8,683	5,642
Office supplies, postage, and delivery	9,653	8,949
Rent	51,455	41,079
Equipment rental and repair	5,553	4,828
Printing and copying	9,180	9,325
Travel, conferences and meetings	21,640	10,407
Insurance and bank fees	12,562	10,002
Miscellaneous	11,960	11,819
Investment management fees	15,391	17,727
Dues and memberships	8,198	5,600
Total	\$ 862,094	\$ 768,324

12. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in one financial institution. The balance is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash balances at March 31, 2016 and 2015 were fully insured.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2016

13. FAIR VALUE MEASUREMENTS

Assets recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management’s own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets at March 31, 2016 and 2015 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 3</u>
March 31, 2016			
Assets recorded at fair value:			
Beneficial interest in investments held by OCF	\$ 2,280,047	\$ -	\$ 2,280,047
Short-term treasury	262,411	262,411	-
Interest in perpetual trust	125,741	-	125,741
March 31, 2015			
Assets recorded at fair value:			
Beneficial interest in investments held by OCF	\$ 2,475,500	\$ -	\$ 2,475,500
Short-term treasury	249,584	249,584	-
Interest in perpetual trust	139,738	-	139,738

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2016

13. FAIR VALUE MEASUREMENTS, Continued

Fair values of the beneficial interest in investments held at Oregon Community Foundation (OCF) have been provided to the Organization based on information provided by OCF which represents the Organization's proportionate share of investments owned by OCF, using a market approach.

Fair values of the interest in the perpetual trust have been provided to the Organization based on information provided by the trustee which represents the Organization's proportionate share of investments held by the trustee, using a market approach.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

	Beneficial interest in investments at OCF	Interest in perpetual Trust	Total
For the year ended March 31, 2016			
Balance at beginning of year	\$ 2,475,500	\$ 139,738	\$ 2,615,238
Realized/unrealized losses	(105,855)	-	(105,855)
Interest and dividends	30,632	-	30,632
Distributions and investment management fees	(120,230)	(6,780)	(127,010)
Change in value of interest in perpetual trust	-	(7,217)	(7,217)
Balance at end of year	<u>\$ 2,280,047</u>	<u>\$ 125,741</u>	<u>\$ 2,405,788</u>
For the year ended March 31, 2015			
Balance at beginning of year	\$ 2,492,752	\$ 141,250	\$ 2,634,002
Realized/unrealized gains	79,267	-	79,267
Interest and dividends	23,658	-	23,658
Distributions and investment management fees	(120,177)	(11,808)	(131,985)
Change in value of interest in perpetual trust	-	10,296	10,296
Balance at end of year	<u>\$ 2,475,500</u>	<u>\$ 139,738</u>	<u>\$ 2,615,238</u>

Gains and losses from investments are included in unrestricted and temporarily restricted investment income in the statement of activities. Gains and losses from the interest in perpetual trust are included in permanently restricted investment income in the statement of activities.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2016

14. ENDOWMENT

The Organization's endowment consists of funds established for long-term support of the Organization. It includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted Oregon's Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Act. In accordance with UPMIFA, the Organization consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2016

14. ENDOWMENT, Continued

Endowment net asset composition by fund type is as follows as of March 31, 2016 and 2015:

	Unrestricted Endowment Deficit	Temporarily Restricted Earnings	Permanently Restricted	Total
March 31, 2016				
Donor-restricted	\$ (468,103)	\$ 48,150	\$ 2,800,741	\$ 2,380,788
March 31, 2015				
Donor-restricted	\$ (291,794)	\$ 67,293	\$ 2,814,738	\$2,590,237

Changes in endowment net assets for the years ended March 31, 2016 and 2015 are as follows:

	Unrestricted Endowment Deficit	Temporarily Restricted Earnings	Permanently Restricted	Total
Endowment net assets -				
March 31, 2014	\$ (276,241)	\$ 68,992	\$ 2,816,250	\$2,609,001
Investment return:				
Investment income, net of fees	39,803	4,318	-	44,121
Net appreciation	37,056	4,021	-	41,077
Change in value of perpetual trust	-	-	(1,512)	(1,512)
Appropriation of endowment assets for expenditure	<u>(92,412)</u>	<u>(10,038)</u>	<u>-</u>	<u>(102,450)</u>
Endowment net assets -				
March 31, 2015	(291,794)	67,293	2,814,738	2,590,237
Investment return:				
Investment loss, net of fees	(4,468)	(484)	-	(4,952)
Net unrealized loss	(77,279)	(8,382)	-	(85,661)
Change in value of perpetual trust	-	-	(13,997)	(13,997)
Appropriation of endowment assets for expenditure	<u>(94,562)</u>	<u>(10,277)</u>	<u>-</u>	<u>(104,839)</u>
Endowment net assets -				
March 31, 2016	<u>\$ (468,103)</u>	<u>\$ 48,150</u>	<u>\$ 2,800,741</u>	<u>\$ 2,380,788</u>

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2016

14. ENDOWMENT, Continued

Fund with Deficiencies

From time to time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level that the donor or the Act requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets and were \$468,103 and \$291,794 as of March 31, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The endowment funds are invested with OCF. The Board of Directors of OCF determines investment and spending policies for all funds held by OCF. Currently, the Organization receives bi-annual distributions from funds held at OCF. The distribution rate, as determined by the Board of Directors of OCF, is currently between 4.5% and 5.0% of the average fair market of the Organization's funds based on a 13 quarter trailing average.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Funds held with OCF are invested in a mixture of equities, fixed-income instruments, alternative investment classes, distressed debt, private investments and cash. The Organization believes the investment and spending policy is consistent with the objective to maintain purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.