

1000 Friends of Oregon

Audited Financial Statements

For the Year Ended March 31, 2018



MCDONALD JACOBS

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, 2018, 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, 2018, and changes in its net assets and its cash flows for the year then ended in accordance 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 23, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacoby, P.C.

Portland, Oregon
June 23, 2018

1000 FRIENDS OF OREGON
STATEMENT OF FINANCIAL POSITION
March 31, 2018
(With comparative totals for 2017)

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 460,416	\$ 385,656
Investments	2,908,380	2,740,489
Pledges receivable	69,978	109,200
Prepaid expenses and deposits	14,310	13,634
Beneficial interest in perpetual trust	132,202	129,550
Furniture and equipment, net	2,500	3,850
 TOTAL ASSETS	 \$ 3,587,786	 \$ 3,382,379
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 71,363	\$ 43,268
Deferred lease liability	5,887	12,272
Deferred revenue	-	7,000
Total liabilities	77,250	62,540
Net assets:		
Unrestricted	1,682,890	1,666,254
Temporarily restricted	470,244	349,035
Permanently restricted	1,357,402	1,304,550
Total net assets	3,510,536	3,319,839
 TOTAL LIABILITIES AND NET ASSETS	 \$ 3,587,786	 \$ 3,382,379

See notes to financial statements.

1000 FRIENDS OF OREGON
STATEMENT OF ACTIVITIES
For the year ended March 31, 2018
(With comparative totals for 2017)

	2018			Total	2017 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
Contributions and event revenue, net of expenses of \$41,889 in 2018 and \$35,797 in 2017	\$ 169,309	\$ 16,106	\$ 50,200	\$ 235,615	\$ 333,155
Grants	33,000	271,300	-	304,300	221,000
Dues and memberships	457,664	-	-	457,664	413,948
Other revenues	8,324	-	-	8,324	13,084
Investment income	250,429	24,343	-	274,772	275,602
Change in value of perpetual trust	-	-	2,652	2,652	3,809
Net assets released from restrictions:					
Satisfaction of program restrictions	190,540	(190,540)	-	-	-
Total support and revenue	1,109,266	121,209	52,852	1,283,327	1,260,598
Expenses:					
Program	713,692	-	-	713,692	688,588
Management and general	141,706	-	-	141,706	98,947
Fundraising	237,232	-	-	237,232	133,978
Total expenses	1,092,630	-	-	1,092,630	921,513
Change in net assets	16,636	121,209	52,852	190,697	339,085
Net assets:					
Beginning of year	1,666,254	349,035	1,304,550	3,319,839	2,980,754
End of year	\$1,682,890	\$ 470,244	\$ 1,357,402	\$ 3,510,536	\$ 3,319,839

See notes to financial statements.

1000 FRIENDS OF OREGON
STATEMENT OF CASH FLOWS
For the year ended March 31, 2018
(With comparative totals for 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 190,697	\$ 339,085
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,250	2,731
Net realized/unrealized gain on investments	(244,304)	(245,505)
Change in value of perpetual trust	(2,652)	(3,809)
Endowment contributions received	(50,200)	-
(Increase) decrease in:		
Pledges receivable	39,222	(2,450)
Prepaid expenses and deposits	(676)	4,069
Increase (decrease) in:		
Accounts payable and accrued expenses	28,095	15,164
Deferred revenue	(7,000)	7,000
Deferred lease liability	(6,385)	(4,774)
Net cash provided by (used in) operating activities	(50,953)	111,511
Cash flows from investing activities:		
Purchase of furniture and equipment	(900)	-
Proceeds from the sale of investments	127,079	123,529
Purchase of investments	(50,666)	(76,055)
Net cash provided by investing activities	75,513	47,474
Cash flows from financing activities:		
Endowment contributions received	50,200	-
Net cash provided by financing activities	50,200	-
Net increase in cash and cash equivalents	74,760	158,985
Cash and cash equivalents - beginning of year	385,656	226,671
Cash and cash equivalents - end of year	\$ 460,416	\$ 385,656

See notes to financial statements.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS
March 31, 2018

1. 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, 2018

1. 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 furniture, 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, 2018

1. 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.

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.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

The Organization has evaluated all subsequent events through June 23, 2018, the date the financial statements were available to be issued.

Summarized Financial Information for 2017

The financial information as of March 31, 2017 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

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.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2018

2. INVESTMENTS, Continued

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 consist of the following at March 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Beneficial interest in investments at		
Oregon Community Foundation	\$ 2,609,174	\$ 2,440,974
Short-term treasury funds	<u>299,206</u>	<u>299,515</u>
 Total investments	 <u>\$ 2,908,380</u>	 <u>\$ 2,740,489</u>
 Investment income consists of:		
Interest and dividends	\$ 30,468	\$ 30,097
Net realized/unrealized gain	<u>244,304</u>	<u>245,505</u>
 Total investment income	 <u>\$ 274,772</u>	 <u>\$ 275,602</u>

3. PLEDGES RECEIVABLE

Pledges receivable at March 31, 2018 and 2017 are expected to be collected as follows:

	<u>2018</u>	<u>2017</u>
Within one year	\$ 54,978	\$ 64,200
Two to five years	<u>15,000</u>	<u>45,000</u>
 Total pledges receivable	 <u>\$ 69,978</u>	 <u>\$ 109,200</u>

4. 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 10). The change in value of the perpetual trust was \$2,652 and \$3,809 for the years ended March 31, 2018 and 2017, respectively.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2018

5. FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following at March 31, 2018 and 2017:

	2018	2017
Furniture and equipment	\$ 90,478	\$ 89,578
Donor database	11,000	11,000
	101,478	100,578
Accumulated depreciation	(98,978)	(96,728)
Furniture and equipment, net	\$ 2,500	\$ 3,850

6. 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 bank's prime rate (4.75% at March 31, 2018) plus 1.5% but not less than 5% annually. The line expires November 2018 and is secured by all business assets.

7. LEASE COMMITMENTS

The Organization leases its Grants Pass and Portland offices under noncancellable operating leases expiring August and December 2018, respectively, with total monthly rent payments approximating \$5,000. The Organization leases office equipment through October 2019 at a cost of approximately \$400 per month, as well as office space in Bend on a month-to-month basis at a cost of \$330 per month.

A portion of office space was subleased monthly to an unaffiliated nonprofit organization in the prior year. Annual rent expense was offset by \$8,800 in sublease rental income for the year ended March 31, 2017.

Total rent expense under the above leases approximated \$61,700 and \$60,200 for the years ended March 31, 2018 and 2017, respectively.

Future minimum lease commitments under noncancellable operating leases are as follows:

Year ending March 31, 2019	\$ 52,200
2020	2,800
Total	\$ 55,000

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2018

8. UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following at March 31, 2018 and 2017:

	2018	2017
Undesignated	\$ 1,432,671	\$ 1,550,589
Board designated	250,219	250,464
Endowment deficit (Note 15)	-	(134,799)
Total unrestricted net assets	\$ 1,682,890	\$ 1,666,254

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at March 31, 2018 and 2017:

	2018	2017
Circuit Ride program	\$ 209,219	\$ 106,774
Regional Equity Atlas	122,516	117,516
Vintner's Fund	62,475	62,475
Unappropriated endowment earnings (Note 15)	76,034	62,270
Total temporarily restricted net assets	\$ 470,244	\$ 349,035

10. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following donor-restricted endowment funds at March 31, 2018 and 2017, which permanently restrict the principal portion of the endowment but permit the utilization of investment income for programs:

	2018	2017
Templeton Fund	\$ 1,050,200	\$ 1,000,000
Gerhardt Fund	150,000	150,000
Rekate Fund	25,000	25,000
Interest in perpetual trust	132,202	129,550
Total permanently restricted net assets	\$ 1,357,402	\$ 1,304,550

Also see Note 15, Endowment.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2018

11. RETIREMENT PLANS

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 \$4,515 and \$5,119 for the years ended March 31, 2018 and 2017, respectively.

12. EXPENSES

The Organization's natural expense classifications are summarized as follows for the years ended March 31, 2018 and 2017:

	2018	2017
Personnel expenses	\$ 715,496	\$ 593,228
Professional fees	191,234	178,723
Telephone	10,695	7,594
Office supplies, postage, and delivery	11,877	8,488
Rent	58,027	51,361
Equipment rental and repair	7,202	5,768
Printing and copying	15,245	14,148
Travel, conferences and meetings	36,266	22,091
Insurance and bank fees	8,288	10,196
Miscellaneous	12,629	5,972
Investment management fees	18,271	15,385
Dues and memberships	7,400	8,559
	<u>7,400</u>	<u>8,559</u>
Total expenses	<u>\$ 1,092,630</u>	<u>\$ 921,513</u>

13. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balance in one financial institution. The balance is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Balances in excess of insured limits were approximately \$217,500 and \$136,000 as of March 31, 2018 and 2017, respectively.

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, 2018

13. CONCENTRATIONS OF CREDIT RISK, Continued

Credit risk for pledges receivable is concentrated because at March 31, 2018 and 2017 approximately 80% and 60% of the balances are due from two and four organizations, respectively. In addition, substantially all of the balances are unsecured.

The Organization's revenues are concentrated with approximately 20% and 10% of total revenues coming from one entity for each of the years ended March 31, 2018 and 2017.

14. 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, 2018 and 2017 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 3</u>
March 31, 2018			
Assets recorded at fair value:			
Beneficial interest in investments held by OCF	\$ 2,609,174	\$ -	\$ 2,609,174
Short-term treasury funds	299,206	299,206	-
Interest in perpetual trust	132,202	-	132,202
March 31, 2017			
Assets recorded at fair value:			
Beneficial interest in investments held by OCF	2,440,974	-	2,440,974
Short-term treasury funds	299,515	299,515	-
Interest in perpetual trust	129,550	-	129,550

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2018

14. FAIR VALUE MEASUREMENTS, Continued

Fair values for Level 1 investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

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, 2018			
Balance at beginning of year	\$ 2,440,974	\$ 129,550	\$ 2,570,524
Deposits	25,200	-	25,200
Realized/unrealized gains	248,845	-	248,845
Interest and dividends	21,234	-	21,234
Distributions and investment management fees	(127,079)	(5,384)	(132,463)
Change in value of interest in perpetual trust	-	8,036	8,036
Balance at end of year	<u>\$ 2,609,174</u>	<u>\$ 132,202</u>	<u>\$ 2,741,376</u>
For the year ended March 31, 2017			
Balance at beginning of year	\$ 2,280,047	\$ 125,741	\$ 2,405,788
Deposits	15,700	-	15,700
Realized/unrealized gains	247,926	-	247,926
Interest and dividends	20,831	-	20,831
Distributions and investment management fees	(123,530)	(6,359)	(129,889)
Change in value of interest in perpetual trust	-	10,168	10,168
Balance at end of year	<u>\$ 2,440,974</u>	<u>\$ 129,550</u>	<u>\$ 2,570,524</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, 2018

15. ENDOWMENT

The Organization's endowment consists of funds established for long-term support of the Organization and includes donor-restricted endowment funds. 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, 2018

15. ENDOWMENT, Continued

Endowment net asset composition by fund type is as follows as of March 31, 2018 and 2017:

	Unrestricted Endowment Deficit	Temporarily Restricted Earnings	Permanently Restricted	Total
March 31, 2018				
Donor-restricted	\$ -	\$ 76,034	\$ 1,307,202	\$ 1,383,236
March 31, 2017				
Donor-restricted	\$ (134,799)	\$ 62,270	\$ 1,304,550	\$ 1,232,021

Changes in endowment net assets for the years ended March 31, 2018 and 2017 are as follows:

	Unrestricted Endowment Deficit	Temporarily Restricted Earnings	Permanently Restricted	Total
Endowment net assets -				
March 31, 2016	\$ (468,103)	\$ 48,150	\$ 2,800,741	\$ 2,380,788
Investment return:				
Investment income, net of fees	18,035	1,950	-	19,985
Net appreciation	210,632	22,754	-	233,386
Change in value of perpetual trust			3,809	3,809
Appropriation of endowment assets for expenditure	(97,561)	(10,584)	-	(108,145)
Recharacterization of endowment gifts and related earnings (Note 15)	202,198	-	(1,500,000)	(1,297,802)
Endowment net assets -				
March 31, 2017	(134,799)	62,270	1,304,550	1,232,021
Investment return:				
Investment gain, net of fees	16,028	4,280	-	20,308
Net unrealized gain	158,062	20,063	-	178,125
Change in value of perpetual trust	-	-	2,652	2,652
Appropriation of endowment assets for expenditure	(39,291)	(10,579)	-	(49,870)
Endowment net assets -				
March 31, 2018	<u>\$ -</u>	<u>\$ 76,034</u>	<u>\$ 1,307,202</u>	<u>\$ 1,383,236</u>

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2018

15. 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 \$134,799 as of March 31, 2017. 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. As of March 31, 2018, the endowment was not in a deficient position.

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.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2018

16. RECHARACTERIZATION OF NET ASSETS

As of March 31, 2017, net assets of \$1,500,000 that were previously recognized as permanently restricted were reclassified to unrestricted. This also included a restatement of accumulated earnings of \$202,198 that were reclassified to the unrestricted endowment balance (See Note 15). The adjustment is the result of an updated interpretation of matching gifts associated with a past endowment award.