

1000 FRIENDS OF OREGON

Audited Financial Statements

For the Year Ended March 31, 2021



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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobz, P.C.

Portland, Oregon
June 27, 2021

1000 FRIENDS OF OREGON
STATEMENT OF FINANCIAL POSITION
March 31, 2021
(With comparative totals for 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 942,949	\$ 588,902
Pledges receivable	14,700	25,000
Prepaid expenses and other assets	32,027	31,733
Property and equipment, net	28,792	39,043
Investments	4,179,374	3,212,741
Beneficial interest in perpetual trust	151,740	114,448
 TOTAL ASSETS	 \$ 5,349,582	 \$ 4,011,867
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 30,202	\$ 32,268
Deferred lease liability	13,073	13,409
Refundable advance	221,600	-
Total liabilities	264,875	45,677
Net assets:		
Net assets without donor restrictions	2,179,110	1,652,657
Net assets with donor restrictions:		
Expiring restrictions	1,528,457	973,885
Perpetual restrictions	1,377,140	1,339,648
Total net assets with donor restrictions	2,905,597	2,313,533
Total net assets	5,084,707	3,966,190
 TOTAL LIABILITIES AND NET ASSETS	 \$ 5,349,582	 \$ 4,011,867

See notes to financial statements.

1000 FRIENDS OF OREGON
STATEMENT OF ACTIVITIES
For the year ended March 31, 2021
(With comparative totals for 2020)

	2021			Total	2020 Total
	Without Donor Restrictions	With Donor Restrictions Expiring	Perpetual		
Support and revenue:					
Contributions, grants and event revenue, net of expenses of \$26,685 in 2020	\$ 1,026,124	\$ 279,700	\$ 200	\$ 1,306,024	\$ 1,470,112
Government grants	222,100	-	-	222,100	-
Other revenues	5,578	-	-	5,578	9,983
Net assets released from restrictions:					
Satisfaction of purpose restrictions	319,350	(319,350)	-	-	-
Total support and revenue	<u>1,573,152</u>	<u>(39,650)</u>	<u>200</u>	<u>1,533,702</u>	<u>1,480,095</u>
Expenses:					
Program	1,006,707	-	-	1,006,707	1,038,865
Management and general	238,146	-	-	238,146	204,790
Fundraising	250,766	-	-	250,766	308,329
Total expenses	<u>1,495,619</u>	<u>-</u>	<u>-</u>	<u>1,495,619</u>	<u>1,551,984</u>
Net income (loss) from opeerations	<u>77,533</u>	<u>(39,650)</u>	<u>200</u>	<u>38,083</u>	<u>(71,889)</u>
Nonoperating activities:					
Investment income (loss), net	448,920	594,222	-	1,043,142	(136,593)
Change in value of perpetual trust	-	-	37,292	37,292	(14,120)
Total nonoperating activities	<u>448,920</u>	<u>594,222</u>	<u>37,292</u>	<u>1,080,434</u>	<u>(150,713)</u>
Change in net assets	<u>526,453</u>	<u>554,572</u>	<u>37,492</u>	<u>1,118,517</u>	<u>(222,602)</u>
Net assets:					
Beginning of year	<u>1,652,657</u>	<u>973,885</u>	<u>1,339,648</u>	<u>3,966,190</u>	<u>4,188,793</u>
End of year	<u>\$ 2,179,110</u>	<u>\$ 1,528,457</u>	<u>\$ 1,377,140</u>	<u>\$ 5,084,707</u>	<u>\$ 3,966,191</u>

See notes to financial statements.

1000 FRIENDS OF OREGON
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended March 31, 2021
(With comparative totals for 2020)

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2021 Total</u>	<u>2020 Total</u>
Personnel costs	\$ 824,279	\$ 151,442	\$ 201,128	\$ 1,176,849	\$ 1,116,731
Professional fees	67,233	62,174	8,166	137,573	198,070
Occupancy	62,854	7,544	17,372	87,770	88,491
Event expenses	-	-	-	-	32,030
Printing and copying	10,766	3,360	5,683	19,809	13,742
Travel and meetings	2,489	25	1,876	4,390	48,806
Bank fees and dues	10,036	1,268	5,563	16,867	21,183
Miscellaneous	29,050	12,333	10,978	52,361	59,796
	<u>1,006,707</u>	<u>238,146</u>	<u>250,766</u>	<u>1,495,619</u>	<u>1,578,849</u>
Less event expenses netted with revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,865)</u>
Total expenses	<u>\$ 1,006,707</u>	<u>\$ 238,146</u>	<u>\$ 250,766</u>	<u>\$ 1,495,619</u>	<u>\$ 1,551,984</u>

See notes to financial statements.

1000 FRIENDS OF OREGON
STATEMENT OF CASH FLOWS
For the year ended March 31, 2021
(With comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,118,517	\$ (222,602)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	10,251	10,093
Net realized/unrealized loss (gain) on investments	(1,039,794)	155,117
Change in value of perpetual trust	(37,292)	14,120
Endowment contributions received	(200)	-
(Increase) decrease in:		
Pledges receivable	10,300	(2,000)
Prepaid expenses and other assets	(294)	(18,203)
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,066)	(43,621)
Deferred lease liability	(336)	1,690
Refundable advance	221,600	-
Net cash flows from operating activities	<u>280,686</u>	<u>(105,406)</u>
Cash flows from investing activities:		
Purchase of property and equipment	-	(13,899)
Proceeds from the sale of investments	135,598	152,986
Purchase of investments	(62,437)	(30,117)
Net cash flows from investing activities	<u>73,161</u>	<u>108,970</u>
Cash flows from financing activities:		
Endowment contributions received	<u>200</u>	-
Net cash flows from financing activities	<u>200</u>	-
Net change in cash and cash equivalents	354,047	3,564
Cash and cash equivalents - beginning of year	<u>588,902</u>	<u>585,338</u>
Cash and cash equivalents - end of year	<u>\$ 942,949</u>	<u>\$ 588,902</u>

See notes to financial statements.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS
March 31, 2021

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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

Pledges Receivable

Pledges receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

Property and Equipment

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

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2021

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

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.

Investments

Investments are carried at fair value. Donor-restricted investment income earned on net assets with perpetual donor restrictions is reported as an increase in net assets with donor restrictions and released to net assets without donor restrictions when the board appropriates for expenditure. All other donor-restricted investment income is reported as an increase in net assets with donor restrictions and classified according to the nature of the restriction.

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.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include personnel expenses and shared costs for occupancy and general operating costs which are allocated on estimates of time and effort.

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. 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 740 *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 accordance 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.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2021

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

Revenue Recognition

Contributions and grants, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable. 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.

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. The portion of sponsorship revenue that relates to commensurate value the sponsor received in return is recognized when the related events are held and performance obligations are met.

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 support without donor restrictions 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.

Refundable Advance

The Paycheck Protection Program (PPP) loan guaranteed by the Small Business Administration (SBA) is accounted for as a conditional advance and accrues interest at 1%. The advance may be forgiven partially or in its entirety if certain conditions are met, including incurrence of allowable qualifying expenses (mostly personnel and occupancy costs) and acceptance and approval of the forgiveness application by the lender. Upon satisfaction of the conditions, the advance will be recognized as revenue. Included in government grant revenue for 2021 is \$194,100 related to the forgiveness of the first round of PPP funding. The refundable advance of \$221,600 reported on the statement of financial position represents funds received as part of the second round of PPP funding.

Subsequent Events

The Organization has evaluated all subsequent events through June 27, 2021, the date the financial statements were available to be issued.

Summarized Financial Information for 2020

The financial information as of March 31, 2020 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, 2021

2. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, investments and a line of credit. See Note 7 for information about the Organization's line of credit.

Financial assets of the Organization consist of the following at March 31, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 942,949	\$ 588,902
Pledges receivable	14,700	25,000
Investments	370,630	350,745
Beneficial interest in assets held by OCF	3,808,744	2,861,996
Beneficial interest in perpetual trust	151,740	114,448
	<u>5,288,763</u>	<u>3,941,091</u>
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	2,905,597	2,313,533
Board designated net assets	303,437	283,552
Financial assets available for general expenditure	<u>\$ 2,079,729</u>	<u>\$ 1,344,006</u>

Board designated funds are maintained as operating reserves and the release of funds may be approved by simple majority vote of the Board of Directors. See Note 9 regarding board designated net assets.

The beneficial interest in assets held by OCF with donor restrictions are restricted to be held as an endowment and are subject to the distribution policies of the OCF. Under these policies, future distributions are estimated at 4.30%, of the total fund balance (approximately \$164,000) to be available for general expenditures in 2021. See Note 5 and Note 15 regarding the beneficial interest in assets held by OCF.

3. PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give. Grants and contributions receivable at March 31, 2021 and 2020 are receivable within one year. Management believes that all amounts are fully collectible and, therefore, no allowance for uncollectible balances has been recorded.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2021

3. PLEDGES RECEIVABLE, Continued

At March 31, 2021, the Organization is entitled to additional pledge funds of \$17,300 which are conditional upon meeting match requirements. Accordingly, the revenue is not reflected in the financial statements. The Organization will recognize the pledge as revenue as matching requirements are met.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at March 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 89,902	\$ 89,902
Website	39,500	39,500
Donor database	<u>11,000</u>	<u>11,000</u>
	140,402	140,402
Accumulated depreciation	<u>(111,610)</u>	<u>(101,359)</u>
Property and equipment, net	<u>\$ 28,792</u>	<u>\$ 39,043</u>

5. INVESTMENTS

The Organization has investment funds with the Oregon Community Foundation (OCF). 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 consist of the following at March 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Short-term treasury funds	\$ 370,630	\$ 350,745
Beneficial interest in investments at Oregon Community Foundation	<u>3,808,744</u>	<u>2,861,996</u>
Total investments	<u>\$ 4,179,374</u>	<u>\$ 3,212,741</u>

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2021

5. INVESTMENTS, Continued

The nature of investments is as follows at March 31, 2021 and 2020:

	2021	2020
Without donor restrictions	\$ 2,191,080	\$ 1,443,017
With expiring restrictions	762,894	544,524
With perpetual restrictions	1,225,400	1,225,200
	\$ 4,179,374	\$ 3,212,741

6. 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 net assets with perpetual restrictions (See Note 11). Upon distribution of the trust assets, the net assets will be recharacterized as net assets without donor restrictions. The change in value of the perpetual trust was \$37,292 and (\$14,120) for the years ended March 31, 2021 and 2020, respectively.

7. LINE OF CREDIT

The Organization has a stand-alone revolving line of credit of \$150,000 with a financial institution. Interest on the line is payable monthly on outstanding advances with interest at the bank's prime rate (3.25% at March 31, 2021) but not less than 3.25% annually. The line expires March 2022 and is secured by all business assets.

8. LEASE COMMITMENTS

The Organization leases administrative and operating facilities and equipment under various operating lease agreements summarized below:

- Portland administrative office, term January 2019 through February 2024, initial monthly rent of \$5,585 with annual escalations.
- Grants Pass administrative office, term March 2021 through January 2023 monthly rent of \$350.
- Copier, term January 2019 through January 2024, monthly rent of \$366

Total rent expense under the above leases approximated \$75,900 and \$77,500 for the years ended March 31, 2021 and 2020, respectively.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2021

8. LEASE COMMITMENTS, Continued

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

Year ending March 31, 2022	\$ 80,200
2023	81,700
2024	<u>72,800</u>
Total	<u><u>\$ 234,700</u></u>

9. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following at March 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 1,890,065	\$ 1,369,105
Board designated	<u>303,437</u>	<u>283,552</u>
Total net assets without donor restrictions	<u><u>\$ 2,193,502</u></u>	<u><u>\$ 1,652,657</u></u>

Board designated net assets are designated as an operating reserve.

10. NET ASSETS WITH EXPIRING DONOR RESTRICTIONS

Net assets with expiring donor restrictions consist of the following at March 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Circuit Ride Program	\$ 10,698	\$ 80,564
Land Use Legal Defense Fund	714,293	508,821
Metro 4 Everyone	8,193	15,061
Regional Equity Atlas	13,757	13,757
Vintner's Fund	66,703	66,703
Working Lands Engagement Coordinator	51,944	89,372
Operations Director	-	46,527
Urban Land Advocate	64,100	100,000
Statewide Housing	46,757	-
Wildfire Recovery	159,948	-
Unappropriated endowment earnings (Note 15)	<u>392,064</u>	<u>53,080</u>
Total net assets with expiring restrictions	<u><u>\$ 1,528,457</u></u>	<u><u>\$ 973,885</u></u>

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2021

11. NET ASSETS WITH PERPETUAL DONOR RESTRICTIONS

Net assets with perpetual donor restrictions consist of the following donor-restricted endowment funds at March 31, 2021 and 2020, which restrict the principal portion of the endowment in perpetuity but permit the utilization of investment income for programs:

	2021	2020
Templeton Fund	\$ 1,050,400	\$ 1,050,200
Gerhardt Fund	150,000	150,000
Rekate Fund	25,000	25,000
Beneficial interest in perpetual trust	151,740	114,448
Total net assets with perpetual donor restrictions	\$ 1,377,140	\$ 1,339,648

Also see Note 15, Endowment.

12. RETIREMENT PLAN

The Organization offers a 403(b) thrift retirement plan whereby the Organization contributes three percent of the salaries of eligible employees. The previous Simplified Employee Pension (SEP) plan and 403(b) employee-contribution only plan maintained by the Organization were terminated during 2020. Contributions to the plan approximated \$13,600 and \$11,300 for the years ended March 31, 2021 and 2020, respectively.

13. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Balances in excess of insured limits were approximately \$699,300 and \$355,200 as of March 31, 2021 and 2020, 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.

The Organization's revenues are concentrated with approximately 13% and 25% of total revenues coming from one entity for each of the years ended March 31, 2021 and 2020, respectively.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2021

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, 2021 and 2020 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 3</u>
March 31, 2021			
Assets recorded at fair value:			
Beneficial interest in investments held by OCF	\$ 3,808,744	\$ -	\$ 3,808,744
Short-term treasury funds	370,630	370,630	-
Beneficial interest in perpetual trust	151,740	-	151,740
March 31, 2020			
Assets recorded at fair value:			
Beneficial interest in investments held by OCF	2,861,996	-	2,861,996
Short-term treasury funds	350,745	350,745	-
Beneficial interest in perpetual trust	114,448	-	114,448

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.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2021

14. FAIR VALUE MEASUREMENTS, Continued

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.

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

	Beneficial interest in investments at OCF	Beneficial interest in perpetual trust	Total
	<u> </u>	<u> </u>	<u> </u>
For the year ended March 31, 2021			
Balance at beginning of year	\$ 2,861,996	\$ 114,448	\$2,976,444
Interest and dividends	25,294	-	25,294
Additions to assets	25,700	-	25,700
Distributions and investment management fees	(141,839)	-	(141,839)
Change in value	<u>1,037,593</u>	<u>37,292</u>	<u>1,074,885</u>
Balance at end of year	<u>\$ 3,808,744</u>	<u>\$ 151,740</u>	<u>\$ 3,960,484</u>
For the year ended March 31, 2020			
Balance at beginning of year	\$ 3,157,763	\$ 128,568	\$ 3,286,331
Interest and dividends	28,175	-	28,175
Distributions and investment management fees	(158,852)	-	(158,852)
Change in value	<u>(165,090)</u>	<u>(14,120)</u>	<u>(179,210)</u>
Balance at end of year	<u>\$ 2,861,996</u>	<u>\$ 114,448</u>	<u>\$2,976,444</u>

Change in value of investments at OCF is included in investment income in net assets without donor restrictions and net assets with expiring restrictions in the statement of activities. Change in value of the interest in perpetual trust is included in net assets with perpetual restrictions in the statement of activities.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2021

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 net assets with perpetual restrictions (a) the original value of gifts donated to the perpetual endowment (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual 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 net assets with perpetual restrictions is classified as net assets with expiring restrictions 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

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15. ENDOWMENT, Continued

Changes in endowment net assets for the years ended March 31, 2021 and 2020 are as follows:

	<u>Expiring Restrictions</u>	<u>Perpetual Restrictions</u>	<u>Total</u>
Endowment net assets -			
March 31, 2019	\$ 79,199	\$ 1,353,768	\$ 1,432,967
Investment return:			
Investment income, net of fees	12,395	-	12,395
Net appreciation	18,120	-	18,120
Change in value of perpetual trust	-	(14,120)	(14,120)
Appropriation of endowment assets for expenditure	<u>(56,634)</u>	<u>-</u>	<u>(56,634)</u>
Endowment net assets -			
March 31, 2020	53,080	1,339,648	1,392,728
Investment return:			
Contributions	-	200	200
Investment gain, net of fees	24,945	-	24,945
Net appreciation	372,130	-	372,130
Change in value of perpetual trust	-	37,292	37,292
Appropriation of endowment assets for expenditure	<u>(58,091)</u>	<u>-</u>	<u>(58,091)</u>
Endowment net assets -			
March 31, 2021	<u>\$ 392,064</u>	<u>\$ 1,377,140</u>	<u>\$ 1,769,204</u>

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.

1000 FRIENDS OF OREGON
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15. ENDOWMENT, Continued

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.

16. RELATED PARTY DISCLOSURE

Certain board members are business owners in the community. At times, the Organization enters into transactions with companies where board members are key employees or owners. These transactions occur in the normal course of business, were insignificant to the financial statements and disclosed as part of the Organization's conflict of interest policy.