

# 1000 FRIENDS OF OREGON

Audited Financial Statements

For the Year Ended March 31, 2022



MCDONALD JACOBS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
1000 Friends of Oregon

### Opinion

We have audited the accompanying financial statements of 1000 Friends of Oregon (a nonprofit organization), which comprise the statement of financial position as of March 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 1000 Friends of Oregon as of March 31, 2022, and the 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of 1000 Friends of Oregon and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 1000 Friends of Oregon's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 1000 Friends of Oregon's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 1000 Friends of Oregon's ability to continue as a going concern for a reasonable period of time.

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

*Report on Summarized Comparative Information*

We have previously audited 1000 Friends of Oregon's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McDonald Jacoby, P.C.*

Portland, Oregon  
June 25, 2022

1000 FRIENDS OF OREGON  
STATEMENT OF FINANCIAL POSITION  
March 31, 2022  
(With comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 547,234	\$ 942,949
Pledges receivable	483,662	14,700
Prepaid expenses and other assets	32,449	32,027
Property and equipment, net	20,419	28,792
Investments	4,524,302	4,179,374
Beneficial interest in perpetual trust	<u>150,205</u>	<u>151,740</u>
 TOTAL ASSETS	 <u>\$ 5,758,271</u>	 <u>\$ 5,349,582</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 28,005	\$ 30,202
Deferred lease liability	10,650	13,073
Refundable advance	<u>-</u>	<u>221,600</u>
Total liabilities	<u>38,655</u>	<u>264,875</u>
Net assets:		
Net assets without donor restrictions	<u>2,467,653</u>	<u>2,179,110</u>
Net assets with donor restrictions:		
Expiring restrictions	1,876,358	1,528,457
Perpetual restrictions	<u>1,375,605</u>	<u>1,377,140</u>
Total net assets with donor restrictions	<u>3,251,963</u>	<u>2,905,597</u>
Total net assets	<u>5,719,616</u>	<u>5,084,707</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 5,758,271</u>	 <u>\$ 5,349,582</u>

See notes to financial statements.

**1000 FRIENDS OF OREGON**  
**STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2022  
(With comparative totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions Expiring	Perpetual	Total
<b>Support and revenue:</b>				
Contributions and grants	\$ 1,051,157	\$ 458,500	\$ -	\$ 1,509,657
Government grants	221,600	-	-	221,600
Other revenues	9,422	-	-	9,422
Net assets released from restrictions:				
Satisfaction of time restrictions	40,000	(40,000)	-	-
Satisfaction of purpose restrictions	329,209	(329,209)	-	-
Total support and revenue	<u>1,651,388</u>	<u>89,291</u>	<u>-</u>	<u>1,740,679</u>
<b>Expenses:</b>				
Program	1,061,039	-	-	1,061,039
Management and general	284,165	-	-	284,165
Fundraising	227,121	-	-	227,121
Total expenses	<u>1,572,325</u>	<u>-</u>	<u>-</u>	<u>1,572,325</u>
Net income from operations	<u>79,063</u>	<u>89,291</u>	<u>-</u>	<u>168,354</u>
<b>Nonoperating activities:</b>				
Investment income, net	209,480	258,610	-	468,090
Change in value of perpetual trust	-	-	(1,535)	(1,535)
Total nonoperating activities	<u>209,480</u>	<u>258,610</u>	<u>(1,535)</u>	<u>466,555</u>
Change in net assets	<u>288,543</u>	<u>347,901</u>	<u>(1,535)</u>	<u>634,909</u>
<b>Net assets:</b>				
Beginning of year	<u>2,179,110</u>	<u>1,528,457</u>	<u>1,377,140</u>	<u>5,084,707</u>
End of year	<u>\$ 2,467,653</u>	<u>\$ 1,876,358</u>	<u>\$ 1,375,605</u>	<u>\$ 5,719,616</u>

See notes to financial statements.

1000 FRIENDS OF OREGON  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended March 31, 2022  
(With comparative totals for 2021)

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2022 Total</u>	<u>2021 Total</u>
Personnel expenses	\$ 829,733	\$ 202,400	\$ 185,925	\$ 1,218,058	\$ 1,176,849
Professional fees	94,743	54,452	6,262	155,457	137,573
Occupancy	64,930	10,761	12,034	87,725	87,770
Printing and copying	17,407	1,200	7,753	26,360	19,809
Travel and meetings	7,837	1,139	254	9,230	4,390
Bank fees and dues	13,694	1,735	964	16,393	16,867
Miscellaneous	<u>32,695</u>	<u>12,478</u>	<u>13,929</u>	<u>59,102</u>	<u>52,361</u>
Total expenses	<u>\$ 1,061,039</u>	<u>\$ 284,165</u>	<u>\$ 227,121</u>	<u>\$ 1,572,325</u>	<u>\$ 1,495,619</u>

See notes to financial statements.

1000 FRIENDS OF OREGON  
STATEMENT OF CASH FLOWS  
For the year ended March 31, 2022  
(With comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 634,909	\$ 1,118,517
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	10,151	10,251
Net realized/unrealized gain on investments	(460,186)	(1,039,794)
Change in value of perpetual trust	1,535	(37,292)
Endowment contributions received	-	(200)
(Increase) decrease in:		
Pledges receivable	(468,962)	10,300
Prepaid expenses and other assets	(422)	(294)
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,197)	(2,066)
Deferred lease liability	(2,423)	(336)
Refundable advance	(221,600)	221,600
Net cash flows from operating activities	<u>(509,195)</u>	<u>280,686</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(1,778)	-
Proceeds from the sale of investments and distributions from beneficial interest	161,774	135,598
Purchase of investments	(46,516)	(62,437)
Net cash flows from investing activities	<u>113,480</u>	<u>73,161</u>
<b>Cash flows from financing activities:</b>		
Endowment contributions received	-	200
Net cash flows from financing activities	<u>-</u>	<u>200</u>
Net change in cash and cash equivalents	(395,715)	354,047
Cash and cash equivalents - beginning of year	<u>942,949</u>	<u>588,902</u>
Cash and cash equivalents - end of year	<u>\$ 547,234</u>	<u>\$ 942,949</u>

See notes to financial statements.



1000 FRIENDS OF OREGON  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2022

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, 2022

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, 2022

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. Included in government grant revenue for 2022 is \$221,600 related to the forgiveness of the second round of PPP funding.

Subsequent Events

The Organization has evaluated all subsequent events through June 25, 2022, the date the financial statements were available to be issued.

Summarized Financial Information for 2021

The financial information as of March 31, 2021 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, 2022

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

Future Accounting Standard

Effective for financial statements for the year ending March 31, 2023, the Organization expects to adopt a new accounting standard issued by the Financial Accounting Standards Board (FASB) that will require significant changes in accounting for operating leases under which the Organization is lessee. Upon adoption, among other effects, the Organization will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes may require certain retrospective adjustments. The qualitative effects on the Organization's future financial statements of these changes and related retrospective adjustments have not yet been determined.

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 available for general expenditure consist of the following at March 31, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 547,234	\$ 942,949
Pledges receivable	483,662	14,700
Investments	359,372	370,630
Beneficial interest in assets held by OCF	4,164,930	3,808,744
Beneficial interest in perpetual trust	150,205	151,740
	<u>5,705,403</u>	<u>5,288,763</u>
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	3,251,963	2,905,597
Board designated net assets	292,180	303,437
Financial assets available for general expenditure	<u>\$ 2,161,260</u>	<u>\$ 2,079,729</u>

**1000 FRIENDS OF OREGON**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**March 31, 2022**

**2. AVAILABLE RESOURCES AND LIQUIDITY, Continued**

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 is restricted as an endowment and is subject to the distribution policies of the OCF. Under these policies, future distributions are estimated at 4.50% of the total fund balance (approximately \$179,000) to be available for general expenditures in 2022. 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 as follows at March 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Within one year	\$ 433,662	\$ 14,700
Two to five years	<u>50,000</u>	<u>-</u>
Total pledges receivable	<u>\$ 483,662</u>	<u>\$ 14,700</u>

Management believes that all amounts are fully collectible and, therefore, no allowance for uncollectible balances has been recorded. The Organization has been awarded a cost-reimbursement government grant and is entitled to approximately \$83,400. This grant will be recognized as revenue upon incurrence of allowable expenses under the terms of the agreement, which expires September 2022.

**4. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at March 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 91,681	\$ 89,902
Website	39,500	39,500
Donor database	<u>11,000</u>	<u>11,000</u>
	142,181	140,402
Accumulated depreciation	<u>(121,762)</u>	<u>(111,610)</u>
Property and equipment, net	<u>\$ 20,419</u>	<u>\$ 28,792</u>

Depreciation expense was \$10,151 and \$10,251 for 2022 and 2021, respectively.

**1000 FRIENDS OF OREGON**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**March 31, 2022**

**5. INVESTMENTS**

In addition to investments held in short-term treasury funds, 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Short-term treasury funds	\$ 359,372	\$ 370,630
Beneficial interest in investments at Oregon Community Foundation	<u>4,164,930</u>	<u>3,808,744</u>
Total investments	<u>\$ 4,524,302</u>	<u>\$ 4,179,374</u>

The nature of investments is as follows at March 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Without donor restrictions	\$ 1,997,249	\$ 2,191,080
With expiring restrictions	1,301,653	762,894
With perpetual restrictions	<u>1,225,400</u>	<u>1,225,400</u>
	<u>\$ 4,524,302</u>	<u>\$ 4,179,374</u>

**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 a decrease of \$1,535 and an increase of \$37,292 for the years ended March 31, 2022 and 2021, respectively.

1000 FRIENDS OF OREGON  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
March 31, 2022

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, 2022) but not less than 3.25% annually. The line expires March 2023 and is secured by all business assets. There were no outstanding advances on the line at March 31, 2022 and 2021.

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 \$77,800 and \$75,900 for the years ended March 31, 2022 and 2021, respectively.

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

Year ending March 31, 2023	\$ 81,700
2024	<u>72,800</u>
Total	<u>\$ 154,500</u>

9. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following at March 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 2,175,473	\$ 1,875,673
Board designated	<u>292,180</u>	<u>303,437</u>
Total net assets without donor restrictions	<u>\$ 2,467,653</u>	<u>\$ 2,179,110</u>

Board designated net assets are designated as an operating reserve.

**1000 FRIENDS OF OREGON**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**March 31, 2022**

**10. NET ASSETS WITH EXPIRING DONOR RESTRICTIONS**

Net assets with expiring donor restrictions consist of the following at March 31, 2022 and 2021:

	2022	2021
Circuit Ride Program	\$ -	\$ 10,698
Land Use Legal Defense Fund	767,837	714,293
Metro 4 Everyone	8,193	8,193
Regional Equity Atlas	13,757	13,757
Vintner's Fund	66,703	66,703
Working Lands Engagement Coordinator	34,673	51,944
Urban Land Advocate	31,744	64,100
Statewide Housing	12,036	46,757
Wildfire Recovery	267,593	159,948
Unappropriated endowment earnings (Note 15)	533,822	392,064
Time restricted	140,000	-
Total net assets with expiring restrictions	<u>\$ 1,876,358</u>	<u>\$ 1,528,457</u>

**11. NET ASSETS WITH PERPETUAL DONOR RESTRICTIONS**

Net assets with perpetual donor restrictions consist of the following donor-restricted endowment funds at March 31, 2022 and 2021, which restrict the principal portion of the endowment in perpetuity but permit the utilization of investment income for programs:

	2022	2021
Templeton Fund	\$ 1,050,400	\$ 1,050,400
Gerhardt Fund	150,000	150,000
Rekate Fund	25,000	25,000
Beneficial interest in perpetual trust	150,205	151,740
Total net assets with perpetual donor restrictions	<u>\$ 1,375,605</u>	<u>\$ 1,377,140</u>

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. Contributions to the plan approximated \$16,200 and \$13,600 for the years ended March 31, 2022 and 2021, respectively.



**1000 FRIENDS OF OREGON**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**March 31, 2022**

**13. CONCENTRATIONS OF CREDIT RISK**

The Organization maintains its cash balances in two 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 \$288,400 and \$699,300 as of March 31, 2022 and 2021, 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 25% of total revenues coming from two entities for the year ended March 31, 2022 and 13% of total revenues from one entity for the year ended March 31, 2021. The Organization's pledges receivable are concentrated with approximately 90% due from two entities at March 31, 2022.

**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.

1000 FRIENDS OF OREGON  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
March 31, 2022

14. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets at March 31, 2022 and 2021 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 3</u>
<b>March 31, 2022</b>			
Assets recorded at fair value:			
Short-term treasury funds	\$ 359,372	\$359,372	\$ -
Beneficial interest in assets held by OCF	4,164,930	-	4,164,930
Beneficial interest in perpetual trust	150,205	-	150,205
<b>March 31, 2021</b>			
Assets recorded at fair value:			
Short-term treasury funds	370,630	370,630	-
Beneficial interest in assets held by OCF	3,808,744	-	3,808,744
Beneficial interest in perpetual trust	151,740	-	151,740

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 assets 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.

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March 31, 2022

14. FAIR VALUE MEASUREMENTS, Continued

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
<b>For the year ended March 31, 2022</b>		
Balance at beginning of year	\$ 3,808,744	\$ 151,740
Interest and dividends	31,046	-
Additions to assets	20,000	-
Distributions and investment management fees	(168,074)	-
Change in value	<u>473,214</u>	<u>(1,535)</u>
Balance at end of year	<u><u>\$ 4,164,930</u></u>	<u><u>\$ 150,205</u></u>
<b>For the year ended March 31, 2021</b>		
Balance at beginning of year	\$ 2,861,996	\$ 114,448
Interest and dividends	25,294	-
Additions to assets	25,700	-
Distributions and investment management fees	(141,839)	-
Change in value	<u>1,037,593</u>	<u>37,292</u>
Balance at end of year	<u><u>\$ 3,808,744</u></u>	<u><u>\$ 151,740</u></u>

Change in value of beneficial interest in assets held by 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.

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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 classifies 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 considers 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, 2022 and 2021 are as follows:

	Expiring Restrictions	Perpetual Restrictions	Total
Endowment net assets -			
March 31, 2020	\$ 53,080	\$ 1,339,648	\$ 1,392,728
Contributions	-	200	200
Investment return:			
Investment income, 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	392,064	1,377,140	1,769,204
Investment return:			
Investment income, net of fees	84,459	-	84,459
Net appreciation	115,899	-	115,899
Change in value of perpetual trust	-	(1,535)	(1,535)
Appropriation of endowment assets for expenditure	<u>(58,600)</u>	<u>-</u>	<u>(58,600)</u>
Endowment net assets -			
March 31, 2022	<u><u>\$ 533,822</u></u>	<u><u>\$ 1,375,605</u></u>	<u><u>\$ 1,909,427</u></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.

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15. ENDOWMENT, Continued

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.

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.