

1000 FRIENDS OF OREGON

Audited Financial Statements

For the Year Ended March 31, 2024



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, 2024, 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, 2024, 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 2023's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 26, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobz, P.C.

Portland, Oregon
August 27, 2024

1000 FRIENDS OF OREGON
STATEMENT OF FINANCIAL POSITION
March 31, 2024
(With comparative totals for 2023)

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 632,523	\$ 206,883
Pledges receivable	75,000	402,289
Prepaid expenses and other assets	42,854	30,396
Property and equipment, net	6,099	14,874
Right-of-use assets	238,515	73,659
Investments	4,657,843	4,359,575
Beneficial interest in perpetual trust	141,626	131,537
 TOTAL ASSETS	 \$ 5,794,460	 \$ 5,219,213
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 44,892	\$ 20,328
Operating lease liabilities	238,756	79,738
Total liabilities	283,648	100,066
Net assets:		
Net assets without donor restrictions	2,639,090	2,364,778
Net assets with donor restrictions:		
Expiring restrictions	1,489,696	1,397,432
Perpetual restrictions	1,382,026	1,356,937
Total net assets with donor restrictions	2,871,722	2,754,369
Total net assets	5,510,812	5,119,147
 TOTAL LIABILITIES AND NET ASSETS	 \$ 5,794,460	 \$ 5,219,213

See notes to financial statements.

1000 FRIENDS OF OREGON
STATEMENT OF ACTIVITIES
For the year ended March 31, 2024
(With comparative totals for 2023)

	2024			2023 Total
	Without Donor Restrictions	With Donor Restrictions		
		Expiring	Perpetual	
Support and revenue:				
Contributions and grants	\$ 1,164,522	\$ 200,311	\$ 15,000	\$ 1,379,833
Program service revenue	3,202	-	-	3,202
In-kind contributions	31,500	-	-	31,500
Net assets released from restrictions:				
Satisfaction of time restrictions	50,000	(50,000)	-	-
Satisfaction of purpose restrictions	312,681	(312,681)	-	-
Total support and revenue	<u>1,561,905</u>	<u>(162,370)</u>	<u>15,000</u>	<u>1,414,535</u>
Expenses:				
Program	979,076	-	-	979,076
Management and general	289,280	-	-	289,280
Fundraising	194,465	-	-	194,465
Total expenses	<u>1,462,821</u>	<u>-</u>	<u>-</u>	<u>1,462,821</u>
Net income (loss) from operations	<u>99,084</u>	<u>(162,370)</u>	<u>15,000</u>	<u>(48,286)</u>
Non-operating activities:				
Investment income (loss), net	175,228	254,634		429,862
Change in value of perpetual trust	-	-	10,089	10,089
Total non-operating activities	<u>175,228</u>	<u>254,634</u>	<u>10,089</u>	<u>(228,862)</u>
Change in net assets	274,312	92,264	25,089	(600,469)
Net assets:				
Beginning of year	<u>2,364,778</u>	<u>1,397,432</u>	<u>1,356,937</u>	<u>5,119,147</u>
End of year	<u>\$ 2,639,090</u>	<u>\$ 1,489,696</u>	<u>\$ 1,382,026</u>	<u>\$ 5,510,812</u>

See notes to financial statements.

1000 FRIENDS OF OREGON
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended March 31, 2024
(With comparative totals for 2023)

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2024 Total</u>	<u>2023 Total</u>
Personnel expenses	\$ 704,637	\$ 181,671	\$ 131,049	\$ 1,017,357	\$ 1,076,207
Professional fees	109,956	61,534	20,945	192,435	233,267
Occupancy	79,626	21,273	17,605	118,504	102,672
Event expenses	382	528	2,386	3,296	9,951
Printing and copying	19,205	1,091	7,385	27,681	23,607
Travel and meetings	19,532	8,244	3,040	30,816	22,778
Bank fees and dues	9,240	888	89	10,217	8,689
Depreciation	8,085	2,135	1,725	11,945	10,781
Miscellaneous	<u>28,413</u>	<u>11,916</u>	<u>10,241</u>	<u>50,570</u>	<u>58,264</u>
Total expenses	<u>\$ 979,076</u>	<u>\$ 289,280</u>	<u>\$ 194,465</u>	<u>\$ 1,462,821</u>	<u>\$ 1,546,216</u>

See notes to financial statements.

1000 FRIENDS OF OREGON
STATEMENT OF CASH FLOWS
For the year ended March 31, 2024
(With comparative totals for 2023)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ 391,665	\$ (600,469)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Endowment contributions received	(15,000)	-
Depreciation	11,946	10,781
Amortization of right-of-use assets	74,207	74,682
Net realized/unrealized (gain) loss on investments	(418,653)	212,480
Change in value of perpetual trust	(10,089)	18,668
(Increase) decrease in:		
Pledges receivable	327,289	81,373
Prepaid expenses and other assets	(12,458)	2,053
Increase (decrease) in:		
Accounts payable and accrued expenses	24,564	(7,677)
Operating lease liabilities	(80,045)	(68,603)
Deferred lease liability	-	(10,650)
Net cash flows from operating activities	<u>293,426</u>	<u>(287,362)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(3,171)	(5,236)
Proceeds from the sale of investments	513,230	-
Distributions from beneficial interest	160,383	145,089
Purchase of investments	<u>(553,228)</u>	<u>(192,842)</u>
Net cash flows from investing activities	<u>117,214</u>	<u>(52,989)</u>
Cash flows from financing activities:		
Endowment contributions received	<u>15,000</u>	<u>-</u>
Net cash flows from financing activities	<u>15,000</u>	<u>-</u>
Net change in cash and cash equivalents	425,640	(340,351)
Cash and cash equivalents - beginning of year	<u>206,883</u>	<u>547,234</u>
Cash and cash equivalents - end of year	<u>\$ 632,523</u>	<u>\$ 206,883</u>
Supplemental cash flow information:		
Cash paid for operating leases	\$ 82,020	\$ 77,989
Non-cash investing and financing activities:		
Obtaining right-of-use assets in exchange for lease liabilities	239,063	148,341

See notes to financial statements.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS
March 31, 2024

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. Cash and cash equivalents at March 31, 2024 include \$15,000 restricted to the endowment.

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, 2024

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.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Under FASB ASC 842, *Leases*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. The Organization has made an accounting policy election to use a risk-free rate based on the information available at lease commencement. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option.

The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

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.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2024

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

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. 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 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.

Revenue Recognition

Revenue from various sources is recognized as follows:

Contributions and Grants: 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.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2024

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

Program Service Revenue: Revenues from contracts with customers are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services. Revenue is recognized at a point in time as performance obligations are satisfied based on actual charges incurred in relation to total expected collections. For program revenues, the timing of revenue recognition, billings, and cash collections may result in billed accounts receivable, unbilled expenditures (contract assets) and customer advances and deferred revenue (contract liabilities). There were no contract assets or liabilities for the years ended March 31, 2024, 2023 and 2022.

In-kind Contributions: 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.

Subsequent Events

The Organization has evaluated all subsequent events through August 27, 2024, the date the financial statements were available to be issued.

Summarized Financial Information for 2023

The financial information as of March 31, 2023 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

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.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2024

2. AVAILABLE RESOURCES AND LIQUIDITY, Continued

Financial assets available for general expenditure consist of the following at March 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 632,523	\$ 206,883
Pledges receivable	75,000	402,289
Investments	520,527	556,581
Beneficial interest in assets held by OCF	4,137,316	3,802,994
Beneficial interest in perpetual trust	<u>141,626</u>	<u>131,537</u>
	5,506,992	5,100,284
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	2,871,722	2,754,369
Board designated net assets	<u>462,197</u>	<u>302,123</u>
Financial assets available for general expenditure	<u>\$ 2,173,073</u>	<u>\$ 2,043,792</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 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 \$178,000) to be available for general expenditures in 2024. See Note 6 and Note 16 regarding the beneficial interest in assets held by OCF.

3. PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give due within one year with a balance of \$75,000 and \$402,289 at March 31, 2024 and 2023, respectively.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2024

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at March 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 24,083	\$ 18,832
Website	27,000	39,500
Donor database	<u>11,000</u>	<u>11,000</u>
	62,083	69,332
Accumulated depreciation	<u>(55,984)</u>	<u>(54,458)</u>
Property and equipment, net	<u>\$ 6,099</u>	<u>\$ 14,874</u>

5. INVESTMENTS

Investments consist of the following at March 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Short-term treasury funds	\$ 220,527	\$ 556,581
Certificate of deposit	300,000	-
Beneficial interest in investments at Oregon Community Foundation	<u>4,137,316</u>	<u>3,802,994</u>
Total investments	<u>\$ 4,657,843</u>	<u>\$ 4,359,575</u>

The Organization has investment funds with the Oregon Community Foundation (OCF) which are 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.

The nature of investments is as follows at March 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Without donor restrictions	\$ 1,642,747	\$ 1,736,743
With expiring donor restrictions	1,489,696	1,397,432
With perpetual donor restrictions	<u>1,225,400</u>	<u>1,225,400</u>
	<u>\$ 4,357,843</u>	<u>\$ 4,359,575</u>

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2024

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 10). Upon distribution of the trust assets, the net assets will be recharacterized as net assets without donor restrictions. The value of the beneficial interest in perpetual trust is \$141,626 and \$131,537 at March 31, 2024 and 2023, respectively. The change in value of the perpetual trust was a decrease of \$10,089 and an increase of \$18,668 for the years ended March 31, 2024 and 2023, 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 (7.75% at March 31, 2024 and 2023) but not less than 7.75% annually. The line expired in March 2024 and was not renewed. There were no outstanding advances on the line at March 31, 2023.

8. **OPERATING LEASES**

The Organization evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms.

The Organization's operating leases consist of leases for office space and equipment with remaining lease terms of 1 to 6 years.

One of the Organization's office leases expired in February 2024 and a new agreement in a different location was signed effective March 2024 for 60 months and includes escalating rent payments. The office lease term excludes a one-year extension, available at the Organization's option, which it is not reasonably certain to exercise. Therefore, the payments associated with the extension are not included in the ROU asset nor the lease liability recognized.

The second office lease term includes a two-year extension through 2025 that was exercised. Therefore, the payments associated with the extension are included in the ROU asset and the lease liability recognized.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2024

8. OPERATING LEASES, Continued

The following summarizes the line items in the statements of financial position which include amounts for operating leases as of March 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Operating leases:		
Right-of-use-assets	\$ 238,515	\$ 73,659
	<u> </u>	<u> </u>
Operating lease liabilities	\$ 238,756	\$ 79,738
	<u> </u>	<u> </u>

The following summarizes the weighted average remaining lease term and discount rate as of March 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term	4.92 years	1 year
Weighted average discount rate	4.14%	3.25%

The maturities of lease liabilities as of March 31, 2024 are as follows:

Year ending March 31, 2025	\$ 53,345
2026	51,253
2027	52,708
2028	54,200
2029	51,218
Thereafter	<u>2,196</u>
	264,920
Less discount/interest	<u>(26,164)</u>
Present value of lease liabilities	<u>\$ 238,756</u>

For the years ended March 31, 2024 and 2023, total lease costs are included in occupancy and equipment rent and consist of the following:

	<u>2024</u>	<u>2023</u>
Operating lease costs	\$ 76,182	\$ 77,810
Short-term lease costs	<u>-</u>	<u>10,000</u>
	<u>\$ 76,182</u>	<u>\$ 87,810</u>

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2024

9. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following at March 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Undesignated	\$ 1,452,019	\$ 2,062,655
Board designated	<u>462,197</u>	<u>302,123</u>
Total net assets without donor restrictions	<u>\$ 1,914,216</u>	<u>\$ 2,364,778</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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Land Use Legal Defense Fund	\$ 773,576	\$ 687,741
Metro 4 Everyone	8,193	8,193
Regional Equity Atlas	13,757	13,757
Vintner's Fund	65,203	65,203
Working Lands Engagement Coordinator	13,897	21,806
Wildfire Recovery	5,722	9,663
Race to the Top	-	50,000
For Our Land	17,307	89,157
Unappropriated endowment earnings (Note 16)	502,041	401,912
Time restricted	<u>90,000</u>	<u>50,000</u>
Total net assets with expiring restrictions	<u>\$ 1,489,696</u>	<u>\$ 1,397,432</u>

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2024

11. NET ASSETS WITH PERPETUAL DONOR RESTRICTIONS

Net assets with perpetual donor restrictions consist of the following donor-restricted endowment funds at March 31, 2024 and 2023, which restrict the principal portion of the endowment in perpetuity but permit the utilization of investment income for programs:

	2024	2023
Templeton Fund	\$ 1,065,400	\$ 1,050,400
Gerhardt Fund	150,000	150,000
Rekate Fund	25,000	25,000
Beneficial interest in perpetual trust	141,626	131,537
Total net assets with perpetual donor restrictions	\$ 1,382,026	\$ 1,356,937

Also see Note 16, Endowment.

12. CONTRIBUTED NONFINANCIAL ASSETS (INKIND CONTRIBUTIONS)

The Organization received contributed professional services related to an event during the years ended March 31, 2024 and 2023. These services were used to support programs and were valued at \$31,500 and \$25,000, respectively. Contributed professional services are recorded at their estimated fair value using current market rates from similar vendors and comparable professionals.

13. 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 \$17,800 and \$17,300 for the years ended March 31, 2024 and 2023, respectively.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2024

14. 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. The balances, at times, may exceed the federally insured limit. Balances in excess of insured limits were approximately \$694,700 as of March 31, 2024.

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.

Revenue was concentrated for the year ended March 31, 2024 with 32% received from one private source. The Organization's pledges receivable are concentrated with approximately 95% due from two entities at March 31, 2023.

15. 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, 2024

15. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets at March 31, 2024 and 2023 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 3</u>
March 31, 2024			
Assets recorded at fair value:			
Short-term treasury funds	\$ 220,527	\$220,527	\$ -
Beneficial interest in assets held by OCF	4,137,317	-	4,137,317
Beneficial interest in perpetual trust	141,626	-	141,626
March 31, 2023			
Assets recorded at fair value:			
Short-term treasury funds	556,581	556,581	-
Beneficial interest in assets held by OCF	3,802,994	-	3,802,994
Beneficial interest in perpetual trust	131,537	-	131,537

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.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2024

15. 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	Total
	<u>OCF</u>	<u>perpetual trust</u>	<u>Total</u>
For the year ended March 31, 2024			
Balance at beginning of year	\$ 3,802,994	\$ 131,537	\$ 3,934,531
Interest and dividends	36,863	-	36,863
Additions to assets	60,200	-	60,200
Investment management fees	(26,240)	-	(26,240)
Distributions	(160,383)	-	(160,383)
Change in value	423,883	10,089	433,972
Balance at end of year	<u>\$ 4,137,317</u>	<u>\$ 141,626</u>	<u>\$ 4,278,943</u>
For the year ended March 31, 2023			
Balance at beginning of year	\$ 4,164,930	\$ 150,205	\$ 4,315,135
Interest and dividends	22,024	-	22,024
Additions to assets	200	-	200
Investment management fees	(24,663)	-	(24,663)
Distributions	(145,089)	-	(145,089)
Change in value	(214,408)	(18,668)	(233,076)
Balance at end of year	<u>\$ 3,802,994</u>	<u>\$ 131,537</u>	<u>\$ 3,934,531</u>

Change in value of beneficial interest in assets held by OCF is included in investment income (loss) 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, 2024

16. 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

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2024

16. ENDOWMENT, Continued

Changes in endowment net assets for the years ended March 31, 2024 and 2023 are as follows:

	<u>Expiring Restrictions</u>	<u>Perpetual Restrictions</u>	<u>Total</u>
Endowment net assets -			
March 31, 2022	\$ 533,822	\$ 1,375,605	\$ 1,909,427
Investment return:			
Contributions	200	-	200
Investment loss, net of fees	(3,808)	-	(3,808)
Net depreciation	(65,333)	-	(65,333)
Change in value of perpetual trust	-	(18,668)	(18,668)
Appropriation of endowment assets for expenditure	<u>(62,969)</u>	<u>-</u>	<u>(62,969)</u>
Endowment net assets -			
March 31, 2023	401,912	1,356,937	1,758,849
Investment return:			
Contributions	311	15,000	15,311
Investment gain, net of fees	18,140	-	18,140
Net appreciation	146,966	-	146,966
Change in value of perpetual trust	-	10,089	10,089
Appropriation of endowment assets for expenditure	<u>(65,288)</u>	<u>-</u>	<u>(65,288)</u>
Endowment net assets -			
March 31, 2024	<u>\$ 502,041</u>	<u>\$ 1,382,026</u>	<u>\$ 1,884,067</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.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2024

16. 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.

17. 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.