

1000 Friends of Oregon

Audited Financial Statements

For the Year Ended March 31, 2019



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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 23, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
June 24, 2019

1000 FRIENDS OF OREGON
STATEMENT OF FINANCIAL POSITION
March 31, 2019
(With comparative totals for 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 585,338	\$ 460,416
Pledges receivable	23,000	69,978
Prepaid expenses and other assets	13,530	14,310
Property and equipment, net	35,237	2,500
Investments	3,490,727	2,908,380
Beneficial interest in perpetual trust	128,568	132,202
 TOTAL ASSETS	 \$ 4,276,400	 \$ 3,587,786
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 75,889	\$ 71,363
Deferred lease liability	11,719	5,887
Total liabilities	87,608	77,250
Net assets:		
Net assets without donor restrictions	1,713,361	1,682,890
Net assets with donor restrictions:		
Net assets with expiring restrictions	1,121,663	470,244
Net assets with perpetual restrictions	1,353,768	1,357,402
Total net assets with donor restrictions	2,475,431	1,827,646
Total net assets	4,188,792	3,510,536
 TOTAL LIABILITIES AND NET ASSETS	 \$ 4,276,400	 \$ 3,587,786

See notes to financial statements.

1000 FRIENDS OF OREGON
STATEMENT OF ACTIVITIES
For the year ended March 31, 2019
(With comparative totals for 2018)

	2019				2018 Total
	Without Donor Restrictions	With Donor Restrictions		Total	
		Expiring	Perpetual		
Support and revenue:					
Contributions, grants and event revenue, net of expenses of \$41,889 in 2018	\$ 990,842	\$ 865,445	\$ -	\$ 1,856,287	\$ 994,990
Other revenues	24,640	-	-	24,640	10,912
Investment income, net	69,627	100,938	-	170,565	256,500
Change in value of perpetual trust	-	-	(3,634)	(3,634)	2,652
Net assets released from restrictions:					
Satisfaction of program restrictions	314,964	(314,964)	-	-	-
Total support and revenue	1,400,073	651,419	(3,634)	2,047,858	1,265,054
Expenses:					
Program	853,610	-	-	853,610	713,692
Management and general	168,131	-	-	168,131	123,433
Fundraising	347,861	-	-	347,861	237,232
Total expenses	1,369,602	-	-	1,369,602	1,074,357
Change in net assets	30,471	651,419	(3,634)	678,256	190,697
Net assets:					
Beginning of year	1,682,890	470,244	1,357,402	3,510,536	3,319,839
End of year	\$ 1,713,361	\$ 1,121,663	\$ 1,353,768	\$ 4,188,792	\$ 3,510,536

See notes to financial statements.

1000 FRIENDS OF OREGON
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended March 31, 2019
(With comparative totals for 2018)

	Total <u>Program</u>	Management and General	Fundraising	2019 <u>Total</u>	2018 <u>Total</u>
Personnel costs	\$ 517,073	\$ 97,818	\$ 231,750	\$ 846,641	\$ 715,496
Professional fees	206,333	48,958	34,178	289,469	191,234
Occupancy	58,742	7,945	19,941	86,628	68,722
Event expense	4,933	381	17,232	22,546	45,359
Printing and copying	3,772	214	9,132	13,118	15,245
Travel and meetings	26,679	1,095	5,601	33,375	36,266
Bank fees and dues	9,693	3,213	2,440	15,346	11,896
Miscellaneous	<u>26,385</u>	<u>8,507</u>	<u>27,587</u>	<u>62,479</u>	<u>32,029</u>
	853,610	168,131	347,861	1,369,602	1,116,247
Less event expenses netted with revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,889)</u>
Total expenses	<u>\$ 853,610</u>	<u>\$ 168,131</u>	<u>\$ 347,861</u>	<u>\$ 1,369,602</u>	<u>\$ 1,074,358</u>

See notes to financial statements.

1000 FRIENDS OF OREGON
STATEMENT OF CASH FLOWS
For the year ended March 31, 2019
(With comparative totals for 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 678,256	\$ 190,697
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	2,048	2,250
Donated property and equipment	(7,200)	-
Net realized/unrealized gain on investments	(154,115)	(244,304)
Change in value of perpetual trust	3,634	(2,652)
Endowment contributions received	-	(50,200)
(Increase) decrease in:		
Pledges receivable	46,978	39,222
Prepaid expenses and deposits	780	(676)
Increase (decrease) in:		
Accounts payable and accrued expenses	4,526	28,095
Deferred revenue	-	(7,000)
Deferred lease liability	5,832	(6,385)
Net cash flows from operating activities	580,739	(50,953)
 Cash flows from investing activities:		
Purchase of property and equipment	(27,585)	(900)
Proceeds from the sale of investments	125,774	127,079
Purchase of investments	(554,006)	(50,666)
Net cash flows from investing activities	(455,817)	75,513
 Cash flows from financing activities:		
Endowment contributions received	-	50,200
Net cash flows from financing activities	-	50,200
 Net change in cash and cash equivalents	124,922	74,760
 Cash and cash equivalents - beginning of year	460,416	385,656
 Cash and cash equivalents - end of year	\$ 585,338	\$ 460,416

See notes to financial statements.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

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

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

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2019

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

Property and Equipment

Acquisitions of furniture 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.

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 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.

Depreciation

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

Deferred Lease Liability

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

Donated Assets and Services

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

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

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 costs, professional fees, occupancy, printing and copying, travel and meetings, bank fees and dues, and miscellaneous, which are allocated on the basis of estimates of time and effort.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2019

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

Income Tax Status

1000 Friends of Oregon is a not-for-profit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code and comparable state law. Based on tax law changes, the Organization may be subject to unrelated business income tax on certain taxable benefits. Any provision for income taxes associated with these changes is estimated to be immaterial. The Organization has no other activities subject to unrelated business income tax. The Organization is not a private foundation.

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

Use of Estimates

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

Change in Accounting Principle

The Organization has implemented Accounting Standards Update (ASU) 2016-14 (the Update), *Presentation of Financial Statements of Not-for-Profit Entities*. The Update modified net asset classification and enhances disclosures regarding liquidity and availability of resources and functional expense reporting. The principle has been applied retrospectively to all periods presented.

Reclassifications

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

Summarized Financial Information for 2018

The financial information as of March 31, 2018 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Subsequent Events

The Organization has evaluated all subsequent events through June 24, 2019, the date the financial statements were available to be issued.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2019

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, 2019:

	Available for General <u>Expenditure</u>	Board Designated	With Donor Restrictions	Total Financial <u>Assets</u>
Cash and cash equivalents	\$ 99,709	\$ -	\$ 485,629	585,338
Pledges receivable, net	8,000	-	15,000	23,000
Investments convertible to cash in the next 12 months	71,416	261,548	-	332,964
Beneficial interest in assets held by OCF	1,311,529	-	1,846,234	3,157,763
Interest in perpetual trust	<u>-</u>	<u>-</u>	<u>128,568</u>	<u>128,568</u>
Total financial assets at year-end March 31, 2019	<u>\$ 1,490,654</u>	<u>\$ 261,548</u>	<u>\$ 2,475,431</u>	<u>\$ 4,227,633</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 4.5%, of the total fund balance (approximately \$74,000) to be available for general expenditures in 2019. See Note 3 and Note 15 regarding the beneficial interest in assets held by OCF.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2019

3. PLEDGES RECEIVABLE

Pledges receivable at March 31, 2019 and 2018 are expected to be collected as follows:

	<u>2019</u>	<u>2018</u>
Within one year	\$ 23,000	\$ 24,978
Two to five years	<u>-</u>	<u>45,000</u>
Total pledges receivable	<u>\$ 23,000</u>	<u>\$ 69,978</u>

4. INVESTMENTS

The Organization has established 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 consists of the following at March 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Beneficial interest in investments at		
Oregon Community Foundation	\$ 3,157,763	\$ 2,609,174
Short-term treasury funds	<u>332,964</u>	<u>299,206</u>
Total investments	<u>\$ 3,490,727</u>	<u>\$ 2,908,380</u>

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2019

5. 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 12). 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 \$(3,634) and \$2,652 for the years ended March 31, 2019 and 2018, respectively.

6. FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following at March 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 88,503	\$ 90,478
Website	27,000	-
Donor database	<u>11,000</u>	<u>11,000</u>
	126,503	101,478
Accumulated depreciation	<u>(91,266)</u>	<u>(98,978)</u>
Property and equipment, net	<u>\$ 35,237</u>	<u>\$ 2,500</u>

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 (5.50% at March 31, 2019) but not less than 5.50% annually. The line expires March 2020 and is secured by all business assets.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2019

8. LEASE COMMITMENTS

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

- Portland administrative office, term August 2017 through December 2018, monthly rent of \$4,657 (through July 2018) and \$4,795 (August through December 2018).
- Portland administrative office, term January 2019 through February 2024, initial monthly rent of \$5,585 with annual escalations.
- Grants Pass administrative office, term September 2018 through August 2019, monthly rent of \$320.
- Bend administrative office, term February 2018 through September 2018, monthly rent of \$400
- Copier, term September 2014 through October 2019, monthly rent of \$397
- Copier, term January 2019 through January 2024, monthly rent of \$366

Total rent expense under the above leases approximated \$67,400 and \$61,700 for the years ended March 31, 2019 and 2018, respectively.

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

Year ending March 31, 2020	\$ 77,600
2021	75,200
2022	77,300
2023	79,400
2024	74,100
Total	<u>\$ 383,600</u>

9. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following at March 31, 2019 and 2018:

	2019	2018
Undesignated	\$ 1,451,813	\$ 1,432,671
Board designated	<u>261,548</u>	<u>250,219</u>
Total net assets without donor restrictions	<u>\$ 1,713,361</u>	<u>\$ 1,682,890</u>

Board designated net assets are designated as an operating reserve.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2019

10. NET ASSETS WITH EXPIRING DONOR RESTRICTIONS

Net assets with expiring donor restrictions consist of the following at March 31, 2019 and 2018:

	2019	2018
Circuit Ride program	\$ 140,589	\$ 209,219
Land Use Legal Defense Fund	541,835	-
Metro 4 Everyone	34,306	-
Regional Equity Atlas	21,257	122,516
Vintner's Fund	79,477	62,475
Working Lands Engagement Coordinator	225,000	-
Unappropriated endowment earnings (Note 15)	79,199	76,034
Total net assets with expiring restrictions	\$ 1,121,663	\$ 470,244

11. NET ASSETS WITH PERPETUAL DONOR RESTRICTIONS

Net assets with perpetual donor restrictions consist of the following donor-restricted endowment funds at March 31, 2019 and 2018, which permanently restrict the principal portion of the endowment but permit the utilization of investment income for programs:

	2019	2018
Templeton Fund	\$ 1,050,200	\$ 1,050,200
Gerhardt Fund	150,000	150,000
Rekate Fund	25,000	25,000
Interest in perpetual trust	128,568	132,202
Total net assets with perpetual donor restrictions	\$ 1,353,768	\$ 1,357,402

Also see Note 15, Endowment.

12. RETIREMENT PLANS

The Organization offers two pension plans to eligible employees. One is a 403(b) plan that only accepts employee salary deferrals. There is no employer match or discretionary contribution. The other plan is a Simplified Employee Pension (SEP) plan. Under this plan, the Organization contributes two percent of the salaries of eligible employees each year. Contributions to the plan approximated \$7,000 and \$4,500 for the years ended March 31, 2019 and 2018, respectively.

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2019

13. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balance in one financial institution. The balance is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Balances in excess of insured limits were approximately \$239,400 and \$217,500 as of March 31, 2019 and 2018, 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 36% and 20% of total revenues coming from one entity for each of the years ended March 31, 2019 and 2018.

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, 2019

14. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets at March 31, 2019 and 2018 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 3</u>
March 31, 2019			
Assets recorded at fair value:			
Beneficial interest in investments held by OCF	\$ 3,157,763	\$ -	\$ 3,157,763
Short-term treasury funds	332,964	332,964	-
Interest in perpetual trust	128,568	-	128,568
March 31, 2018			
Assets recorded at fair value:			
Beneficial interests held by OCF	2,609,174	-	2,609,174
Short-term treasury funds	299,206	299,206	-
Interest in perpetual trust	132,202	-	132,202

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

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

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

1000 FRIENDS OF OREGON
NOTES TO FINANCIAL STATEMENTS, CONTINUED
March 31, 2019

14. FAIR VALUE MEASUREMENTS, Continued

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

	Beneficial interest in investments at OCF	Interest in perpetual Trust	Total
	<u> </u>	<u> </u>	<u> </u>
For the year ended March 31, 2019			
Balance at beginning of year	\$ 2,609,174	\$ 132,202	\$ 2,741,376
Deposits	500,000	-	500,000
Realized/unrealized gains	152,678	-	152,678
Interest and dividends	21,686	-	21,686
Distributions and investment management fees	(125,775)	-	(125,775)
Change in value of interest in perpetual trust	<u> -</u>	<u> (3,634)</u>	<u> (3,634)</u>
Balance at end of year	<u>\$ 3,157,763</u>	<u>\$ 128,568</u>	<u>\$ 3,286,331</u>
For the year ended March 31, 2018			
Balance at beginning of year	\$ 2,440,974	\$ 129,550	\$ 2,570,524
Deposits	25,200	-	25,200
Realized/unrealized gains	248,845	-	248,845
Interest and dividends	21,234	-	21,234
Distributions and investment management fees	(127,079)	-	(132,463)
Change in value of interest in perpetual trust	<u> -</u>	<u> 2,652</u>	<u> 8,036</u>
Balance at end of year	<u>\$ 2,609,174</u>	<u>\$ 132,202</u>	<u>\$ 2,741,376</u>

Gains and losses from investments are included in investment income in net assets without donor restrictions and net assets with expiring restrictions investment income 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, 2019

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 permanent endowment (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as 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, 2019

16. ENDOWMENT, Continued

Changes in endowment net assets for the years ended March 31, 2019 and 2018 are as follows:

	Endowment Deficit without <u>Donor Restrictions</u>	Expiring <u>Restrictions</u>	Perpetual <u>Restrictions</u>	<u>Total</u>
Endowment net assets -				
March 31, 2017	\$ (134,799)	\$ 62,270	\$ 1,304,550	\$ 1,232,021
Contributions	-	-	50,200	50,200
Investment return:				
Investment income, net of fees	16,028	4,280	-	20,308
Net appreciation	158,062	20,063	-	178,125
Change in value of perpetual trust	-	-	2,652	2,652
Appropriation of endowment assets for expenditure	<u>(39,291)</u>	<u>(10,579)</u>	<u>-</u>	<u>(49,870)</u>
Endowment net assets -				
March 31, 2018	-	76,034	1,357,402	1,433,436
Investment return:				
Investment gain, net of fees	-	20,312	-	20,312
Net appreciation	-	38,791	-	38,791
Change in value of perpetual trust	-	-	(3,634)	(3,634)
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(55,938)</u>	<u>-</u>	<u>(55,938)</u>
Endowment net assets -				
March 31, 2019	<u>\$ -</u>	<u>\$ 79,199</u>	<u>\$ 1,353,768</u>	<u>\$ 1,432,967</u>

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16. ENDOWMENT, Continued

Return Objectives and Risk Parameters

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

Strategies Employed for Achieving Objectives

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

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.