



MCKENZIE RIVER TRUST

FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

Jones & Roth
CPAs & Business Advisors

MCKENZIE RIVER TRUST
FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
McKenzie River Trust
Eugene, Oregon

We have audited the accompanying financial statements of McKenzie River Trust (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statement

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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 entity'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 McKenzie River Trust as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Jones & Roth P.C.".

Jones & Roth, P.C.
Eugene, Oregon
May 19, 2020

FINANCIAL STATEMENTS

MCKENZIE RIVER TRUST
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,796,221	\$ 1,454,065
Investments	4,423,017	3,622,576
Grants and contracts receivable, current portion	169,268	296,125
Unconditional promises to give receivable, current portion	213,941	119,740
Prepaid expenses and deposits	<u>3,000</u>	<u>3,000</u>
 Total current assets	 <u>6,605,447</u>	 <u>5,495,506</u>
Buildings, equipment, and site improvements		
Buildings, equipment, and site improvements, net of accumulated depreciation of \$192,103 for 2019 and \$154,828 for 2018	<u>299,306</u>	<u>330,381</u>
Other assets		
Grants and contracts receivable, long-term portion	67,971	118,604
Unconditional promises to give receivable, long-term portion	3,000	4,000
Beneficial interest in the assets of Oregon Community Foundation (OCF)	621,179	536,937
Land held for conservation	3,444,548	3,000,815
Site improvements on land held for conservation, net of accumulated depreciation of \$91,827 for 2019 and \$76,664 for 2018	<u>241,516</u>	<u>212,616</u>
 Total other assets	 <u>4,378,214</u>	 <u>3,872,972</u>
 Total assets	 <u><u>\$ 11,282,967</u></u>	 <u><u>\$ 9,698,859</u></u>

	<u>2019</u>	<u>2018</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 15,268	\$ 11,430
Accrued payroll and related liabilities	89,141	75,627
Other accrued liabilities	<u>400</u>	<u>400</u>
Total current liabilities	104,809	87,457
Note payable	<u>200,000</u>	<u>-</u>
Total liabilities	<u>304,809</u>	<u>87,457</u>
Net assets		
Net assets without donor restrictions:		
Undesignated operating funds	920,843	846,157
Board designated program funds	1,364,876	1,150,451
Buildings, equipment, and site improvements	299,306	330,381
Land held and site improvements on land held for conservation	<u>3,486,064</u>	<u>3,213,431</u>
Total net assets without donor restrictions	6,071,090	5,540,420
Net assets with donor restrictions	<u>4,907,068</u>	<u>4,070,982</u>
Total net assets	<u>10,978,158</u>	<u>9,611,402</u>
Total liabilities and net assets	<u>\$ 11,282,967</u>	<u>\$ 9,698,859</u>

The accompanying notes are an integral part of these statements.

MCKENZIE RIVER TRUST
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Support, contracts, and other revenue			
Support and contracts:			
Contributions	\$ 898,445	\$ 269,188	\$ 1,167,633
Capital campaign contributions	-	-	-
Grants	38,555	1,006,725	1,045,280
Contracts	188,809	-	188,809
In-kind donations	88,601	-	88,601
	<u>1,214,410</u>	<u>1,275,913</u>	<u>2,490,323</u>
Other revenue (loss):			
Rental income	-	15,000	15,000
Investment income (loss)	366,399	424,284	790,683
Loss on disposal of asset	-	-	-
	<u>366,399</u>	<u>439,284</u>	<u>805,683</u>
Total other revenue (loss)	<u>366,399</u>	<u>439,284</u>	<u>805,683</u>
Net assets released from restrictions			
Satisfaction of program restrictions	879,111	(879,111)	-
	<u>879,111</u>	<u>(879,111)</u>	<u>-</u>
Total support, contracts, other revenue (loss), and reclassifications	<u>2,459,920</u>	<u>836,086</u>	<u>3,296,006</u>
Expenses			
Program services	1,431,836	-	1,431,836
General and administrative	254,042	-	254,042
Fundraising	243,372	-	243,372
	<u>1,929,250</u>	<u>-</u>	<u>1,929,250</u>
Total expenses	<u>1,929,250</u>	<u>-</u>	<u>1,929,250</u>
Change in net assets	530,670	836,086	1,366,756
Net assets, beginning of year	<u>5,540,420</u>	<u>4,070,982</u>	<u>9,611,402</u>
Net assets, end of year	<u>\$ 6,071,090</u>	<u>\$ 4,907,068</u>	<u>\$ 10,978,158</u>

2018		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 489,643	\$ 76,577	\$ 566,220
-	171,245	171,245
2,766	235,381	238,147
319,475	-	319,475
<u>22,857</u>	<u>-</u>	<u>22,857</u>
<u>834,741</u>	<u>483,203</u>	<u>1,317,944</u>
-	12,600	12,600
(117,857)	(69,664)	(187,521)
<u>(15,365)</u>	<u>-</u>	<u>(15,365)</u>
<u>(133,222)</u>	<u>(57,064)</u>	<u>(190,286)</u>
<u>658,468</u>	<u>(658,468)</u>	<u>-</u>
<u>1,359,987</u>	<u>(232,329)</u>	<u>1,127,658</u>
1,225,799	-	1,225,799
239,597	-	239,597
<u>308,948</u>	<u>-</u>	<u>308,948</u>
<u>1,774,344</u>	<u>-</u>	<u>1,774,344</u>
(414,357)	(232,329)	(646,686)
<u>5,954,777</u>	<u>4,303,311</u>	<u>10,258,088</u>
<u>\$ 5,540,420</u>	<u>\$ 4,070,982</u>	<u>\$ 9,611,402</u>

The accompanying notes are an integral part of these statements.

MCKENZIE RIVER TRUST
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program							Total
	Land Protection	Land Stewardship	Conservation Easement Monitoring	Public Outreach	Total Program Services	General and Administrative	Fundraising	
Wages	\$ 100,148	\$ 141,653	\$ 21,986	\$ 166,967	\$ 430,754	\$ 172,943	\$ 132,320	\$ 736,017
Employee benefits and taxes	21,345	30,470	4,723	33,467	90,005	35,605	28,105	153,715
Land management:								
Contract labor	-	262,442	-	-	262,442	-	-	262,442
Supplies and materials	-	72,285	42	-	72,327	-	-	72,327
Tools and equipment	-	16,837	-	-	16,837	-	-	16,837
Site utilities	-	11,441	-	-	11,441	-	-	11,441
Property taxes	-	14,918	-	-	14,918	-	-	14,918
Professional fees	7,768	11,356	1,817	49,984	70,925	13,342	10,568	94,835
Rent, utilities, and security	9,231	13,356	2,075	15,223	39,885	16,283	12,636	68,804
Travel	3,172	9,346	1,031	5,631	19,180	1,057	2,297	22,534
Office expense	3,193	4,800	527	13,123	21,643	2,569	13,242	37,454
In-kind goods and services	207	4,853	-	3,230	8,290	-	3,461	11,751
Advertising	-	-	-	35,079	35,079	855	14,505	50,439
Training	1,685	2,847	134	6,049	10,715	1,161	2,276	14,152
Other expenses	2,876	4,198	607	14,826	22,507	4,841	16,812	44,160
Insurance	2,919	5,154	2,161	3,951	14,185	4,132	3,066	21,383
Land acquisition costs	206,756	-	-	-	206,756	-	-	206,756
Depreciation	-	51,288	-	-	51,288	1,150	-	52,438
Event expense	34	62	22	17,541	17,659	104	4,084	21,847
Partnership programming	-	-	-	15,000	15,000	-	-	15,000
Total functional expenses	\$ 359,334	\$ 657,306	\$ 35,125	\$ 380,071	\$ 1,431,836	\$ 254,042	\$ 243,372	\$ 1,929,250

The accompanying notes are an integral part of these statements.

MCKENZIE RIVER TRUST
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program							Total
	Land Protection	Land Stewardship	Conservation Easement Monitoring	Public Outreach	Total Program Services	General and Administrative	Fundraising	
Wages	\$ 104,316	\$ 151,400	\$ 15,676	\$ 109,256	\$ 380,648	\$ 163,407	\$ 150,687	\$ 694,742
Employee benefits and taxes	24,453	35,051	3,666	25,973	89,143	35,422	35,072	159,637
Land management:								
Contract labor	-	324,551	1,775	-	326,326	-	-	326,326
Supplies and materials	-	124,806	757	-	125,563	-	-	125,563
Tools and equipment	-	19,297	-	-	19,297	-	-	19,297
Site utilities	-	12,418	-	-	12,418	-	-	12,418
Property taxes	-	14,485	-	-	14,485	-	-	14,485
Professional fees	6,067	9,636	975	25,394	42,072	10,503	13,774	66,349
Rent, utilities, and security	8,262	11,932	1,191	8,374	29,759	12,395	11,413	53,567
Travel	3,585	10,466	776	7,560	22,387	2,044	4,575	29,006
Office expense	4,854	8,156	1,103	17,506	31,619	6,210	12,735	50,564
In-kind goods and services	400	-	-	68	468	341	22,049	22,858
Advertising	-	-	-	11,016	11,016	1,068	11,818	23,902
Training	1,357	1,978	53	1,311	4,699	600	2,384	7,683
Other expenses	2,702	5,043	365	7,167	15,277	3,335	20,950	39,562
Insurance	2,406	4,948	2,190	2,921	12,465	3,409	3,652	19,526
Land acquisition costs	36,782	-	-	-	36,782	-	-	36,782
Depreciation	-	42,404	-	-	42,404	863	-	43,267
Event expense	-	-	-	8,971	8,971	-	19,839	28,810
Total functional expenses	\$ 195,184	\$ 776,571	\$ 28,527	\$ 225,517	\$ 1,225,799	\$ 239,597	\$ 308,948	\$ 1,774,344

The accompanying notes are an integral part of these statements.

MCKENZIE RIVER TRUST
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 1,366,756	\$ (646,686)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	52,438	43,267
Realized/unrealized (gain) loss on investments	(598,354)	425,577
Realized/unrealized (gain) loss in beneficial interest in the assets of OCF	(98,008)	15,956
Loss on disposal of asset	-	15,365
Donated equipment and securities	(83,168)	(67,893)
(Increase) decrease in:		
Grants and contracts receivable	177,490	(152,283)
Unconditional promises to give receivable	(93,201)	195,053
Prepaid expenses and deposits	-	9,835
Increase (decrease) in:		
Accounts payable	3,838	(52,006)
Accrued payroll and related liabilities	13,514	106
	<u>741,305</u>	<u>(213,709)</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities		
Purchase of investments	(6,348,300)	(877,309)
Proceeds from sale of investments	6,229,382	63,272
Proceeds from beneficial interest in the assets of OCF	24,766	24,693
Deposits to beneficial interest in the assets of OCF	(11,000)	(1,500)
Proceeds from sale of equipment	-	2,500
Purchase of equipment, land held for conservation, and site improvements	(493,997)	(54,823)
	<u>(599,149)</u>	<u>(843,167)</u>
Net cash used by investing activities		
Cash flows from financing activities		
Proceeds from long-term debt	200,000	-
	<u>342,156</u>	<u>(1,056,876)</u>
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents, beginning of year	1,454,065	2,510,941
Cash and cash equivalents, end of year	<u>\$ 1,796,221</u>	<u>\$ 1,454,065</u>

The accompanying notes are an integral part of these statements.

MCKENZIE RIVER TRUST
NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

McKenzie River Trust (the Trust) is an Oregon nonprofit corporation that provides for the protection and enhancement of natural qualities of land in Western Oregon. The mission of the Trust is to help people protect and care for the lands and rivers they cherish in Western Oregon. The Trust carries out management and restoration activities on properties it owns in fee title, particularly on its Green Island, Berrgren, CARP, Waite, Big Island, and Finn Rock Reach parcels. The Trust also hosts outreach events on its properties and participates in public events to increase public awareness and support for land and water conservation in the region. Acreage managed by the Trust as of December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Acreage under management:		
Owned directly	2,337	2,252
Conservation easements	<u>3,260</u>	<u>2,934</u>
Total acreage under Trust management	<u><u>5,597</u></u>	<u><u>5,186</u></u>

Recent Accounting Standards Adopted

During the year ended December 31, 2019, the Trust adopted the provisions of The Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) and related subsequently issued and clarifying ASUs. Topic 606 and related ASUs supersede previous revenue recognition principles and establish a core principle requiring the recognition of revenue to depict the transfer or promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for such goods or services. The Trust adopted the new standard effective January 1, 2019, using the full retrospective approach in these financial statements.

The adoption of ASU No. 2014-09 did not have a significant impact on the Trust's financial statements. The majority of the Trust's revenue arrangements generally consist of a single performance obligation to perform agreed upon services. Based on the Trust's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption, and the adoption has not resulted in the recognition of additional assets or liabilities.

The Trust also adopted FASB ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958) which clarifies accounting guidance about whether a transfer of assets is a contribution or exchange transaction. The standard effectively excludes contributions from the requirements of ASU No. 2014-09. The Trust adopted the new standard effective January 1, 2019, using a modified prospective approach in these financial statements. No change to previously recognized revenue was required as a result of adopting ASU No. 2014-09.

MCKENZIE RIVER TRUST
NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies, continued

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Trust and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* — Net assets that are not subject to donor-imposed stipulations or restrictions.
- *Net assets with donor restrictions* — Net assets with donor restrictions are subject to donor-imposed stipulations that may or will be met, either by actions of the Trust and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Net assets with donor restrictions may also be subject to donor-imposed stipulations that the net assets must be retained as a fund of perpetual duration. Generally, the donors of such assets permit the Trust to use all or part of the income earned on any related investments for general or specific purposes. The Trust had no net assets that were required to be retained as a fund of perpetual duration at December 31, 2019 and 2018.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition

Contributions and grants are recognized as revenue when the contribution or grant is promised or made and are recorded as support that is either with or without donor restrictions. Classification is based on the existence and nature of any donor restrictions imposed on the contribution. Support that is restricted by the donor is reported as restricted revenues and is released to net assets without donor restrictions when the restriction is met.

Contract revenue from performance obligations is recognized at a point in time when services under the contract have been rendered by the Trust. The Trust's revenue is recognized when service is complete, provided that persuasive evidence of an arrangement exists, the price is fixed, title has transferred, collection of resulting receivables is probable, and there are no remaining significant obligations. The Trust does not have any significant financing components as payment is received at or shortly after the services are performed. Contract revenue is considered to be without donor restrictions.

MCKENZIE RIVER TRUST
NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies, continued

In-kind Donations

Donated goods, including donated real property, are recorded at their estimated fair values at the date of donation. Donated services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ended December 31, 2019 and 2018, total donated goods and services were \$88,601 and \$22,857, respectively.

Functional Expense Allocation

The Trust allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program or support service are allocated directly to that program or support services according to their natural expense classification. Other expenses that are common to several functions are allocated based among the programs and support services benefited.

Cash and Cash Equivalents

For financial statement purposes, the Trust considers all highly liquid investments, including money market accounts funds, purchased with an original maturity of three months or less to be cash equivalents. Fair value approximates carrying amounts.

Grants and Contracts Receivable

Grants and contracts receivable, which are carried at the amount management expects to receive, are comprised primarily of amounts due from various governmental agencies and private foundations. Credit risk associated with receivables is periodically reviewed by management. An allowance account is established, if considered necessary, based on past history of collections and financial viability of the donor. No such allowance was considered necessary at December 31, 2019 and 2018.

Unconditional Promises to Give

Unconditional promises to give are comprised of monies or other property of value that have been unconditionally promised to the Trust and will be received at some future date. The promises include promises without restrictions as well as capital campaign promises, which are considered net assets with donor restrictions. The reported value is a fair representation of the future value of the receivables. Amounts are written-off when determined that they are uncollectible. An allowance for uncollectible pledges is provided based on management's evaluation of potential uncollectible pledges at year end. At December 31, 2019 and 2018, management considered the promises fully collectible; therefore, no allowance has been established.

Investments

The Trust holds investments in mutual funds, fixed income municipal bonds, equities and exchange traded funds with a brokerage firm. Investments in marketable equity securities with readily determinable fair values are stated at fair value. Unrealized gains and losses are recognized in the period in which they occur. Certain investments are uninsured and subject to normal market risk associated with the underlying investment.

MCKENZIE RIVER TRUST
NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies, continued

Buildings, Equipment, and Site Improvements

Purchased buildings, equipment, and site improvements are recorded at cost. Donated items are recorded as a contribution at estimated fair market value at the date of gift. Expenditures for maintenance, repairs, and renewals are charged to expense as incurred. Major betterments and equipment expenditures in excess of \$5,000 are capitalized. The cost and related accumulated depreciation of equipment sold or retired is removed from the accounts and the resulting gain or loss is included in income.

Depreciation has been computed using the straight-line method over the estimated useful lives of the buildings or equipment, 20 to 40 years for buildings, 5 to 10 years for equipment, and 20 years for site improvements. Depreciation expense for buildings, equipment, and site improvements for the years ended December 31, 2019 and 2018 was \$37,275 and \$27,343, respectively.

Land Held for Conservation

Purchased land is recorded at cost. Donated land is recorded as a contribution at its estimated fair market value at the date of gift. While professional appraisals are used to determine a fair market value for conservation easements held by the Trust, that value is not convertible by the Trust and holding the easement increases the Trust's stewardship obligations. Consequently, easements are recorded at a nominal \$1 value for tracking purposes only. The Board may from time to time evaluate the carrying value of land held for conservation and if the value of the property appears impaired based upon restrictions imposed by the Board or a third-party funding source, may adjust the value of the land based on the restrictions imposed. During the years ended December 31, 2019 and 2018, there were no carrying value adjustments.

Site Improvements on Land Held for Conservation

Site improvements made to land held for conservation that is owned by the Trust that are determined to provide additional market value to the land held for conservation are capitalized. Such amounts are recorded at cost and depreciated using the straight-line method over the estimated useful life of the improvement, estimated at 10 to 20 years. Depreciation expense for site improvements on land held for conservation for the years ended December 31, 2019 and 2018 was \$15,163 and \$15,924, respectively. Expenditures for maintenance and repairs are charged to expense as incurred.

Advertising

The Trust uses advertising to promote fundraising activities and open employment opportunities. Advertising costs are expensed as incurred. Advertising costs totaled \$50,439 and \$23,902 for 2019 and 2018, respectively.

Concentration of Credit Risk

The Trust maintains cash and cash equivalent balances in both bank and brokerage accounts. Amounts held in bank accounts are federally insured up to \$250,000 through the Federal Deposit Insurance Corporation (FDIC). A portion of cash held in brokerage accounts is not insured under FDIC. The Trust's cash balances held in banks exceeded FDIC depository insurance by \$148,883 and \$922,602 at December 31, 2019 and 2018, respectively.

MCKENZIE RIVER TRUST
NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies, continued

Concentration of Credit Risk, continued

The Trust's investments and brokerage money market funds (cash equivalent) are subject to market fluctuations that could dramatically affect the carrying values of these assets. These funds are insured by the Securities Investors Protection Corporation (SIPC) in the event of broker-dealer failure up to a maximum of \$500,000 for brokerage accounts held in each separate capacity, with a limit of \$250,000 for claims of uninvested cash balances. This insurance covers the loss of investment securities due to an insolvent brokerage or unauthorized trading; it does not cover ordinary market loss. The Trust's balances exceeded SIPC limits by \$5,312,551 and \$4,100,205 at December 31, 2019 and 2018, respectively.

Income Tax Status

The Trust is an exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC). The Trust has been classified as an organization other than a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). The Trust files required informational returns with both the U.S. federal jurisdiction and the state of Oregon.

Liquidity and Availability of Resources

The Trust has a policy to manage its liquidity and reserves in order to meet its needs to fund operating expenditures. At December 31, 2019 and 2018, the Trust's financial assets, reduced by amounts not available for general expenditures within one year, are comprised of the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,796,221	\$ 1,454,065
Investments	4,423,017	3,622,576
Grants and contracts receivable, current portion	169,268	296,125
Unconditional promises to give receivable, current portion	<u>213,941</u>	<u>119,740</u>
	6,602,447	5,492,506
Less: Current financial assets with donor restrictions	(4,641,689)	(3,734,328)
Less: Board designated funds	<u>(938,106)</u>	<u>(827,564)</u>
Financial assets available for general expenditure within one year	<u>\$ 1,022,652</u>	<u>\$ 930,614</u>

The Board of Directors has designated a portion of the Trust's net assets without donor restrictions to be reserved for the purpose of land protection, stewardship, and as a source of reserves for the Trust. The Board designated funds are held in investments and with the Oregon Community Foundation (Note 4).

2. Concentrations

Due to the timing and nature of grant awards, a significant portion of outstanding grant and contracts receivable, all of which management considers fully collectible, may be due from a concentrated number of organizations at year end. Of the total amount of grants and contracts receivable at December 31, 2019, 59 percent was due from two organizations and of the total amount of grants and contracts receivable at December 31, 2018, 90 percent was due from two organizations.

MCKENZIE RIVER TRUST
NOTES TO FINANCIAL STATEMENTS

2. Concentrations, continued

During 2019, revenue totaling \$1,321,500 was received from two sources, comprising approximately 40 percent of total revenue. During 2018, revenue totaling \$575,021 was received from four sources, comprising approximately 51 percent of total revenue.

3. Unconditional Promises to Give

At December 31, unconditional promises to give include amounts due from individuals, businesses, and other organizations. For the year ended December 31, 2019, total contributions included \$38,786 from Board members of which \$6,600 was included in unconditional promises to give at year end. For the year ended December 31, 2018, total contributions included \$25,843 from Board members of which \$4,392 was included in unconditional promises to give at year end.

At December 31, unconditional promises to give are expected to be collected as follows:

	2019	2018
Amounts to be collected in:		
One year	\$ 213,941	\$ 119,740
Two to five years	3,000	4,000
Total unconditional promises to give	\$ 216,941	\$ 123,740

4. Beneficial Interest in the Assets of The Oregon Community Foundation

The Oregon Community Foundation (OCF) holds a conservation easement fund and a board designated fund for the Trust. The funds are used by the OCF as the source of unrestricted grants for the Trust. The agreement with the OCF stipulates OCF maintains variance power over the fund and that the fund shall be held and owned by the OCF. OCF may distribute, on an annual basis, a fixed percentage of the fund assets. The percentage is determined by the Board of Directors of OCF. The agreement also provides that, upon written request from a majority of the Board of Directors of the Trust, additional distributions may be made from the fund assets, even to the exhaustion of the fund, if in the sole judgment of the Board of Directors of OCF the requested distribution is consistent with the objectives and purposes of the Trust.

MCKENZIE RIVER TRUST
NOTES TO FINANCIAL STATEMENTS

4. Beneficial Interest in the Assets of The Oregon Community Foundation, continued

The following schedule summarizes the activity of these funds reported at fair value for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Investment income (loss):		
Interest and dividends	\$ 4,264	\$ 4,320
Realized gain	2,038	10,498
Unrealized gain (loss)	<u>95,970</u>	<u>(26,454)</u>
Total investment income (loss)	<u>102,272</u>	<u>(11,636)</u>
Other decreases:		
Investment management fees	(2,085)	(2,193)
OCF fees	(2,902)	(2,900)
Distributions	<u>(24,043)</u>	<u>(23,921)</u>
Total other decreases	<u>(29,030)</u>	<u>(29,014)</u>
Contributions	<u>11,000</u>	<u>1,500</u>
Net change	84,242	(39,150)
Beginning balance	<u>536,937</u>	<u>576,087</u>
Ending balance	<u>\$ 621,179</u>	<u>\$ 536,937</u>

5. Net Assets with Donor Restrictions

As of December 31, net assets with donor restrictions were available for the following purposes:

	<u>2019</u>	<u>2018</u>
Conservation easement monitoring	\$ 194,409	\$ 214,050
Stewardship and protection	4,482,023	3,457,333
Outreach and organizational development	<u>230,636</u>	<u>399,599</u>
Total net assets with donor restrictions	<u>\$ 4,907,068</u>	<u>\$ 4,070,982</u>

6. Investment Income

The following schedule summarizes the income (loss) from investments and the beneficial interest in OCF for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 112,340	\$ 259,704
Realized gain	234,856	9,770
Unrealized gain (loss)	461,507	(451,303)
Investment management fees	<u>(18,020)</u>	<u>(5,692)</u>
Total investment income (loss)	<u>\$ 790,683</u>	<u>\$ (187,521)</u>

MCKENZIE RIVER TRUST
NOTES TO FINANCIAL STATEMENTS

7. Lease Agreements

Lessee – The Trust entered into a lease agreement requiring monthly lease payments reduced by the amount of Lane County property tax exemption passed through to the lessor. The amended lease term expired January 31, 2018, and was renewed for month to month until April 2018. The Trust entered into a new lease agreement from April 1, 2018 to March 31, 2023, with monthly payments of \$3,684, increasing 2.5 percent annually. For the years ended December 31, 2019 and 2018, rent expense totaled \$53,027 and \$40,578, respectively. Future minimum rent payments under the operating lease are as follows:

<u>Year Ending December 31,</u>	
2020	\$ 46,165
2021	47,319
2022	48,502
2023	12,200
2024	-
Thereafter	<u>-</u>
Total	<u>\$ 154,186</u>

Lessor – The Trust leases acreage and a house on the Berggren property. The lease for the Berggren property was operating as a month to month lease until December 31, 2015. At that time, the Trust began a series of one-year leases. The most recent lease agreement will expire December 31, 2020. Total rental income for the Berggren property totaled \$15,000 and \$12,600 for the years ended December 31, 2019 and 2018, respectively. Future lease payments to be received under the lease are as follows:

<u>Year Ending December 31,</u>	
2020	<u>\$ 15,600</u>
Total	<u>\$ 15,600</u>

8. Retirement Plan

The Trust sponsors a SIMPLE IRA plan for eligible employees. The Trust matches employee contributions monthly up to 3 percent of eligible wages. For the years ended December 31, 2019 and 2018, employer contributions totaled \$20,922 and \$19,445, respectively. Under the plan, contributions are made directly to participants' individual accounts. After the funds have been distributed, the Trust has no fiduciary responsibility or control over the accounts.

9. Long-term Debt

On September 20, 2019, the Trust entered into a loan agreement with an individual's living trust, to secure the purchase of real property (the Wren Marsh property acquisition). The note does not bear interest and is unsecured. The loan is due September 19, 2022, or upon receipt of full grant funding for the acquisition of the Wren Marsh property, whichever occurs first.

MCKENZIE RIVER TRUST
NOTES TO FINANCIAL STATEMENTS

10. Fair Value Measurement

Accounting principles generally accepted in the United States of America define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability; in the absence of a principal market, the most advantageous market.

Valuation techniques that are consistent with the market, income, or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Inputs are quoted prices in active markets for identical assets or liabilities for which the Trust has the ability to access at the measurement date.

Level 2: Inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. 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 determination of fair value requires significant management judgment or estimation.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Mutual funds and exchange traded funds: Valued at the daily closing price as reported by the fund. All mutual funds held by the Trust are open-ended funds that are registered with the SEC and are deemed to be actively traded.

Common stock: Valued at the fair market value of shares held by the Trust at year end as determined by quoted market prices.

Fixed income: Valued at the market value of the obligation based on quoted market prices and consist of municipal bonds.

Beneficial interest in the assets of OCF: Valued at the net present value of the estimated future amount to be received from such assets based on the value provided by OCF.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

MCKENZIE RIVER TRUST
NOTES TO FINANCIAL STATEMENTS

10. Fair Value Measurement, continued

The following table sets forth by level, within the fair value hierarchy, the Trust assets at fair value as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments - fixed income	\$ 1,590,014	\$ -	\$ -	\$ 1,590,014
Investments - common stock	2,779,132	-	-	2,779,132
Investments - exchange traded funds	53,871	-	-	53,871
Beneficial interest in the assets of OCF	<u>-</u>	<u>-</u>	<u>621,179</u>	<u>621,179</u>
Total fair value assets measured on a recurring basis	<u>\$ 4,423,017</u>	<u>\$ -</u>	<u>\$ 621,179</u>	<u>\$ 5,044,196</u>

The following table sets forth by level, within the fair value hierarchy, the Trust assets at fair value as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments - mutual funds	\$ 3,618,225	\$ -	\$ -	\$ 3,618,225
Investments - common stock	4,351	-	-	4,351
Beneficial interest in the assets of OCF	<u>-</u>	<u>-</u>	<u>536,937</u>	<u>536,937</u>
Total fair value assets measured on a recurring basis	<u>\$ 3,622,576</u>	<u>\$ -</u>	<u>\$ 536,937</u>	<u>\$ 4,159,513</u>

11. Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation. Such reclassifications had no effect on previously reported net assets or change in net assets.

12. Subsequent Events and Uncertainties

Management evaluates events and transactions that occur after the statement of financial position date as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report.

As a result of the spread of COVID-19 coronavirus, economic uncertainties have arisen which could negatively impact the Trust's financial condition and operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

MCKENZIE RIVER TRUST
NOTES TO FINANCIAL STATEMENTS

12. Subsequent Events and Uncertainties, continued

Subsequent to year end, the Trust applied for a Paycheck Protection Program loan under the Coronavirus Aid, Relief and Economic Security Act (The CARES Act) through Summit Bank. The Trust was approved for a loan in the amount of \$167,300 as evidenced by a promissory note dated April 13, 2020. The provisions of the agreement state that the Trust may apply to the lender for forgiveness of the loan in an amount equal to the sum of eligible costs incurred by the Trust as defined in the agreement. If not forgiven, the loan is payable in monthly installments of \$9,415, including interest at 1.00%, due April 13, 2022.

If not forgiven, scheduled maturities of the Summit Bank loan are as follows:

<u>For the Year Ending</u>	
2020	\$ 27,150
2021	112,093
2022	<u>28,057</u>
Total	<u>\$ 167,300</u>