



**MCKENZIE RIVER TRUST**

**FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2021 and 2020**

*Jones & Roth*  
CPAs & Business Advisors

MCKENZIE RIVER TRUST  
FINANCIAL STATEMENTS  
For the Years Ended December 31, 2021 and 2020

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position	3 - 4
Statements of Activities	5 - 6
Statements of Functional Expenses	7 - 8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 19

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
McKenzie River Trust  
Eugene, Oregon

### Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 McKenzie River Trust as of December 31, 2021 and 2020, 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.

### Basis for Opinion

We conducted our audits 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 McKenzie River Trust and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 McKenzie River Trust'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, including omissions, 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 McKenzie River Trust'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 McKenzie River Trust'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.



Jones & Roth, P.C.  
Eugene, Oregon  
May 17, 2022

## FINANCIAL STATEMENTS

MCKENZIE RIVER TRUST  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,308,535	\$ 1,878,538
Investments	6,585,115	5,648,063
Grants and contracts receivable, current portion	298,061	392,779
Insurance proceeds receivable	-	170,560
Unconditional promises to give receivable, current portion	26,379	24,200
Prepaid expenses and deposits	<u>3,000</u>	<u>3,000</u>
 Total current assets	 <u>9,221,090</u>	 <u>8,117,140</u>
<b>Buildings, equipment, and site improvements</b>		
Buildings, equipment, and site improvements, net of accumulated depreciation of \$271,337 for 2021 and \$228,817 for 2020	<u>308,248</u>	<u>322,249</u>
<b>Other assets</b>		
Grants and contracts receivable, long-term portion	292,853	34,121
Unconditional promises to give receivable, long-term portion	1,000	4,000
Beneficial interest in the assets of Oregon Community Foundation (OCF)	785,421	663,262
Land held for conservation	5,247,714	3,831,322
Site improvements on land held for conservation, net of accumulated depreciation of \$126,793 for 2021 and \$108,904 for 2020	<u>222,800</u>	<u>240,689</u>
 Total other assets	 <u>6,549,788</u>	 <u>4,773,394</u>
 <b>Total assets</b>	 <u><u>\$ 16,079,126</u></u>	 <u><u>\$ 13,212,783</u></u>

	<u>2021</u>	<u>2020</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 66,804	\$ 35,290
Accrued payroll and related liabilities	66,714	39,713
Other deferred revenue and deposits	3,175	-
Deferred insurance proceeds	<u>82,172</u>	<u>170,560</u>
Total current liabilities	218,865	245,563
<b>Note payable</b>	<u>-</u>	<u>200,000</u>
Total liabilities	<u>218,865</u>	<u>445,563</u>
<b>Net assets</b>		
Net assets without donor restrictions:		
Undesignated operating funds	1,299,289	1,152,757
Board designated program funds	1,888,842	1,652,893
Buildings, equipment, and site improvements	308,248	322,249
Land held and site improvements on land held for conservation	<u>5,470,514</u>	<u>3,872,011</u>
Total net assets without donor restrictions	8,966,893	6,999,910
Net assets with donor restrictions	<u>6,893,368</u>	<u>5,767,310</u>
Total net assets	<u>15,860,261</u>	<u>12,767,220</u>
<b>Total liabilities and net assets</b>	<u>\$ 16,079,126</u>	<u>\$ 13,212,783</u>

The accompanying notes are an integral part of these statements.

MCKENZIE RIVER TRUST  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support, contracts, and other revenue</b>			
Support and contracts:			
Contributions	\$ 1,259,214	\$ 1,282,512	\$ 2,541,726
Grants	38,935	1,412,033	1,450,968
Contracts	781,013	-	781,013
In-kind donations	567,746	-	567,746
Total support and contracts	<u>2,646,908</u>	<u>2,694,545</u>	<u>5,341,453</u>
Other revenue:			
Rental income	4,600	13,455	18,055
Investment income	326,445	733,708	1,060,153
Other income	750	-	750
Total other revenue	<u>331,795</u>	<u>747,163</u>	<u>1,078,958</u>
<b>Net assets released from restrictions</b>			
Satisfaction of program restrictions	<u>2,315,650</u>	<u>(2,315,650)</u>	<u>-</u>
Total support, contracts, other revenue, and reclassifications	<u>5,294,353</u>	<u>1,126,058</u>	<u>6,420,411</u>
<b>Expenses</b>			
Program services	2,731,452	-	2,731,452
General and administrative	330,521	-	330,521
Fundraising	265,397	-	265,397
Total expenses	<u>3,327,370</u>	<u>-</u>	<u>3,327,370</u>
<b>Change in net assets from operations</b>	<u>1,966,983</u>	<u>1,126,058</u>	<u>3,093,041</u>
<b>Non-operating</b>			
Insurance proceeds from casualty event	159,117	-	159,117
Expenses from casualty event	(159,117)	-	(159,117)
Change in net assets from non-operating activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in net assets</b>	1,966,983	1,126,058	3,093,041
Net assets, beginning of year	<u>6,999,910</u>	<u>5,767,310</u>	<u>12,767,220</u>
Net assets, end of year	<u>\$ 8,966,893</u>	<u>\$ 6,893,368</u>	<u>\$ 15,860,261</u>

The accompanying notes are an integral part of these statements.



MCKENZIE RIVER TRUST  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support, contracts, and other revenue</b>			
Support and contracts:			
Contributions	\$ 1,045,842	\$ 435,067	\$ 1,480,909
Grants	298,300	345,147	643,447
Contracts	111,057	-	111,057
In-kind donations	20,418	-	20,418
Total support and contracts	<u>1,475,617</u>	<u>780,214</u>	<u>2,255,831</u>
Other revenue:			
Rental income	2,400	16,000	18,400
Investment income	318,372	943,544	1,261,916
Other income	500	-	500
Total other revenue	<u>321,272</u>	<u>959,544</u>	<u>1,280,816</u>
<b>Net assets released from restrictions</b>			
Satisfaction of program restrictions	<u>879,516</u>	<u>(879,516)</u>	<u>-</u>
Total support, contracts, other revenue, and reclassifications	<u>2,676,405</u>	<u>860,242</u>	<u>3,536,647</u>
<b>Expenses</b>			
Program services	1,157,455	-	1,157,455
General and administrative	320,168	-	320,168
Fundraising	269,962	-	269,962
Total expenses	<u>1,747,585</u>	<u>-</u>	<u>1,747,585</u>
<b>Change in net assets from operations</b>	<u>928,820</u>	<u>860,242</u>	<u>1,789,062</u>
<b>Non-operating</b>			
Insurance proceeds from casualty event	-	-	-
Expenses from casualty event	-	-	-
Change in net assets from non-operating activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in net assets</b>	928,820	860,242	1,789,062
Net assets, beginning of year	<u>6,071,090</u>	<u>4,907,068</u>	<u>10,978,158</u>
Net assets, end of year	<u>\$ 6,999,910</u>	<u>\$ 5,767,310</u>	<u>\$ 12,767,220</u>

The accompanying notes are an integral part of these statements.

MCKENZIE RIVER TRUST  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2021

	Program							Total
	Land Protection	Land Stewardship	Conservation Easement Monitoring	Public Outreach	Total Program Services	General and Administrative	Fundraising	
Wages	\$ 120,147	\$ 169,109	\$ 16,714	\$ 157,997	\$ 463,967	\$ 234,147	\$ 148,936	\$ 847,050
Employee benefits and taxes	25,432	38,955	3,839	34,430	102,656	38,945	32,550	174,151
Land management:								
Contract labor	-	1,547,717	18,825	-	1,566,542	-	-	1,566,542
Supplies and materials	-	20,405	-	-	20,405	-	-	20,405
Tools and equipment	-	25,167	-	-	25,167	-	-	25,167
Site utilities	-	11,212	-	-	11,212	-	-	11,212
Other land management	-	128,591	-	-	128,591	-	-	128,591
Property taxes	-	22,018	-	-	22,018	-	-	22,018
Professional fees	11,564	22,987	1,071	114,913	150,535	17,125	24,550	192,210
Rent, utilities, and security	10,103	14,101	1,411	13,266	38,881	19,940	12,544	71,365
Travel	3,161	12,428	982	6,363	22,934	805	2,644	26,383
Office expense	5,115	13,389	709	12,797	32,010	7,907	8,157	48,074
In-kind goods and services	7,006	-	-	710	7,716	-	30	7,746
Advertising	-	159	-	22,006	22,165	590	12,730	35,485
Training	4,669	1,418	147	1,940	8,174	1,161	560	9,895
Other expenses	2,399	4,518	242	9,011	16,170	3,700	17,498	37,368
Insurance	2,201	10,147	2,035	3,701	18,084	3,977	3,015	25,076
Land acquisition costs	8,061	-	-	-	8,061	-	-	8,061
Depreciation	-	58,185	-	-	58,185	2,224	-	60,409
Pass through grants	-	-	-	1,411	1,411	-	-	1,411
Event expense	-	-	221	6,347	6,568	-	2,183	8,751
<b>Total functional expenses</b>	<b>\$ 199,858</b>	<b>\$ 2,100,506</b>	<b>\$ 46,196</b>	<b>\$ 384,892</b>	<b>\$ 2,731,452</b>	<b>\$ 330,521</b>	<b>\$ 265,397</b>	<b>\$ 3,327,370</b>

The accompanying notes are an integral part of these statements.

MCKENZIE RIVER TRUST  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2020

	Program							Total
	Land Protection	Land Stewardship	Conservation Easement Monitoring	Public Outreach	Total Program Services	General and Administrative	Fundraising	
Wages	\$ 91,247	\$ 130,057	\$ 19,211	\$ 196,872	\$ 437,387	\$ 217,939	\$ 152,770	\$ 808,096
Employee benefits and taxes	19,827	28,599	4,177	42,520	95,123	46,890	32,738	174,751
Land management:								
Contract labor	-	231,570	-	-	231,570	-	-	231,570
Supplies and materials	-	11,865	143	-	12,008	-	-	12,008
Tools and equipment	-	12,180	-	-	12,180	-	-	12,180
Site utilities	-	11,226	-	-	11,226	-	-	11,226
Other land management	-	22,594	-	-	22,594	-	-	22,594
Property taxes	-	19,186	-	-	19,186	-	-	19,186
Professional fees	6,612	11,214	1,517	34,869	54,212	17,903	24,570	96,685
Rent, utilities, and security	7,675	10,894	1,628	16,747	36,944	18,336	12,897	68,177
Travel	1,175	7,280	983	4,989	14,427	184	707	15,318
Office expense	2,790	7,424	375	15,351	25,940	3,818	11,973	41,731
In-kind goods and services	18,980	30	4	557	19,571	43	802	20,416
Advertising	527	-	-	24,838	25,365	463	10,315	36,143
Training	1,003	1,924	195	2,963	6,085	2,273	1,649	10,007
Other expenses	2,821	4,756	540	10,492	18,609	6,200	17,951	42,760
Insurance	2,108	8,937	2,062	3,461	16,568	4,432	2,950	23,950
Land acquisition costs	327	-	-	-	327	-	-	327
Depreciation	-	52,104	-	-	52,104	1,687	-	53,791
Pass through grants	-	-	-	34,805	34,805	-	-	34,805
Event expense	-	-	-	11,224	11,224	-	640	11,864
<b>Total functional expenses</b>	<b>\$ 155,092</b>	<b>\$ 571,840</b>	<b>\$ 30,835</b>	<b>\$ 399,688</b>	<b>\$ 1,157,455</b>	<b>\$ 320,168</b>	<b>\$ 269,962</b>	<b>\$ 1,747,585</b>

The accompanying notes are an integral part of these statements.

MCKENZIE RIVER TRUST  
STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 3,093,041	\$ 1,789,062
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	60,409	53,791
Realized/unrealized gain on investments	(874,527)	(1,143,125)
Realized/unrealized gain in beneficial interest in the assets of OCF	(147,236)	(67,074)
Donated land	(560,000)	-
Donated securities	(167,574)	(76,641)
(Increase) decrease in:		
Grants and contracts receivable	(164,024)	(189,661)
Unconditional promises to give receivable	831	188,741
Insurance proceeds receivable	170,560	(170,560)
Increase (decrease) in:		
Accounts payable	31,514	20,022
Accrued payroll and related liabilities	27,001	(49,428)
Other deferred revenue and deposits	3,175	-
Deferred insurance proceeds	(88,388)	170,560
Other accrued liability	-	(400)
Net cash provided by operating activities	<u>1,384,782</u>	<u>525,287</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(1,704,036)	(693,976)
Proceeds from sale of investments	1,809,085	688,696
Proceeds from beneficial interest in the assets of OCF	25,077	24,991
Purchase of equipment, land held for conservation, and site improvements	<u>(884,911)</u>	<u>(462,681)</u>
Net cash used by investing activities	<u>(754,785)</u>	<u>(442,970)</u>
<b>Cash flows from financing activities</b>		
Payments on long-term debt	<u>(200,000)</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>	429,997	82,317
Cash and cash equivalents, beginning of year	<u>1,878,538</u>	<u>1,796,221</u>
Cash and cash equivalents, end of year	<u>\$ 2,308,535</u>	<u>\$ 1,878,538</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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Acreage under management:		
Owned directly	2,495	2,459
Conservation easements	<u>4,518</u>	<u>4,383</u>
Total acreage under Trust management	<u><u>7,013</u></u>	<u><u>6,842</u></u>

**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, 2021 and 2020.

**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.

MCKENZIE RIVER TRUST  
NOTES TO FINANCIAL STATEMENTS

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

**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.

**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, 2021 and 2020, total donated goods and services were \$567,746 and \$20,418, respectively. The donation received in 2021 included a donation of land valued at \$560,000.

**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.

**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**

**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, 2021 and 2020.

**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, 2021 and 2020, management considered the promises fully collectible; therefore, no allowance has been established.

**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, 2021 and 2020 was \$42,520 and \$36,714, 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, 2021 and 2020, there were no carrying value adjustments.

MCKENZIE RIVER TRUST  
NOTES TO FINANCIAL STATEMENTS

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

**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, 2021 and 2020 was \$17,889 and \$17,077, 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 \$35,485 and \$36,143 for the years ended December 31, 2021 and 2020, 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 \$584,907 and \$484,040 at December 31, 2021 and 2020, respectively.

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 \$7,522,534 and \$6,243,107 at December 31, 2021 and 2020, 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.



MCKENZIE RIVER TRUST  
NOTES TO FINANCIAL STATEMENTS

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

**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, 2021 and 2020, the Trust's financial assets, reduced by amounts not available for general expenditures within one year, are comprised of the following:

	2021	2020
Cash and cash equivalents	\$ 2,308,535	\$ 1,878,538
Investments	6,585,115	5,648,063
Grants and contracts receivable, current portion	298,061	392,779
Unconditional promises to give receivable, current portion	26,379	24,200
	9,218,090	7,943,580
Less: Current financial assets with donor restrictions	(6,386,360)	(5,504,638)
Less: Board designated funds	(1,316,576)	(1,214,183)
Financial assets available for general expenditure within one year	\$ 1,515,154	\$ 1,224,759

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, 2021, 73 percent was due from two organizations and of the total amount of grants and contracts receivable at December 31, 2020, 55 percent was due from two organizations.

During 2021, revenue totaling \$1,836,107 was received from three sources, comprising approximately 29 percent of total revenue. During 2020, there were no concentrations of revenue from one or more sources

**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, 2021, total contributions included \$210,775 from Board members of which \$10,000 was included in unconditional promises to give at year end. For the year ended December 31, 2020, total contributions included \$286,335 from Board members of which \$-0- was included in unconditional promises to give at year end.

MCKENZIE RIVER TRUST  
NOTES TO FINANCIAL STATEMENTS

**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.

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

	<u>2021</u>	<u>2020</u>
Investment income:		
Interest and dividends	\$ 4,901	\$ 3,333
Realized gain	39,382	8,546
Unrealized gain	<u>107,854</u>	<u>60,909</u>
Total investment income	<u>152,137</u>	<u>72,788</u>
Other decreases:		
Investment management fees	(2,776)	(2,755)
OCF fees	(3,661)	(2,959)
Distributions	<u>(23,541)</u>	<u>(24,991)</u>
Total other decreases	<u>(29,978)</u>	<u>(30,705)</u>
Contributions	<u>-</u>	<u>-</u>
Net change		42,083
Beginning balance	<u>663,262</u>	<u>621,179</u>
Ending balance	<u>\$ 785,421</u>	<u>\$ 663,262</u>

**5. Net Assets with Donor Restrictions**

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

	<u>2021</u>	<u>2020</u>
Conservation easement monitoring	\$ 213,155	\$ 224,552
Stewardship and protection	6,331,933	5,194,471
Outreach and organizational development	<u>348,280</u>	<u>348,287</u>
Total net assets with donor restrictions	<u>\$ 6,893,368</u>	<u>\$ 5,767,310</u>

MCKENZIE RIVER TRUST  
NOTES TO FINANCIAL STATEMENTS

**6. Investment Income**

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

	2021	2020
Interest and dividends	\$ 98,172	\$ 97,170
Realized gain	232,092	23,263
Unrealized gain	789,671	1,189,316
Investment management fees	(59,782)	(47,833)
 Total investment income	 \$ 1,060,153	 \$ 1,261,916

**7. Lease Agreements**

*Lessee* – The Trust entered into a 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, 2021 and 2020, rent expense totaled \$55,273 and \$51,656, respectively. Subsequent to year end, in February 2022, the Trust entered into a lease agreement to lease property from February 2022 through January 2023 for \$400 per month. Future minimum rent payments under these operating leases are as follows:

Year Ending December 31,		
2022	\$	52,902
2023		12,600
2024		-
2025		-
2026		-
Thereafter		-
 Total	 \$	 65,502

*Lessor* – The Trust leases acreage and a house on the Berggren property. The most recent lease began June 2021 and expires June 2026 and calls for monthly payments of \$1,300. The Trust also leases the Wren Marsh property. The lease was operating as a month to month lease beginning July 1, 2020. Total rental income for these properties totaled \$18,055 and \$18,400 for the years ended December 31, 2021 and 2020, respectively. Future minimum rent receipts under non-cancelable operating leases with terms in excess of 12 months are as follows:

Year Ending December 31,		
2022	\$	15,600
2023		15,600
2024		15,600
2025		15,600
2026		6,500
Thereafter		-
 Total	 \$	 68,900

MCKENZIE RIVER TRUST  
NOTES TO FINANCIAL STATEMENTS

**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, 2021 and 2020, employer contributions totaled \$24,707 and \$25,617, 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. On March 6, 2021, the Trust paid off the note payable with grant funding and unrestricted funds.

**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.

MCKENZIE RIVER TRUST  
NOTES TO FINANCIAL STATEMENTS

**10. Fair Value Measurement**, continued

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, 2021 and 2020.

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

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

*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.

*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.

The following table sets forth by level, within the fair value hierarchy, the Trust assets at fair value as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments - fixed income	\$ 2,043,420	\$ -	\$ -	\$ 2,043,420
Investments - common stock	4,461,504	-	-	4,461,504
Investments - exchange traded funds	80,191	-	-	80,191
Beneficial interest in the assets of OCF	<u>-</u>	<u>-</u>	<u>785,421</u>	<u>785,421</u>
Total fair value assets measured on a recurring basis	<u>\$ 6,585,115</u>	<u>\$ -</u>	<u>\$ 785,421</u>	<u>\$ 7,370,536</u>

The following table sets forth by level, within the fair value hierarchy, the Trust assets at fair value as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments - fixed income	\$ 1,730,479	\$ -	\$ -	\$ 1,730,479
Investments - common stock	3,841,103	-	-	3,841,103
Investments - exchange traded funds	76,481	-	-	76,481
Beneficial interest in the assets of OCF	<u>-</u>	<u>-</u>	<u>663,262</u>	<u>663,262</u>
Total fair value assets measured on a recurring basis	<u>\$ 5,648,063</u>	<u>\$ -</u>	<u>\$ 663,262</u>	<u>\$ 6,311,325</u>

MCKENZIE RIVER TRUST  
NOTES TO FINANCIAL STATEMENTS

**11. Paycheck Protection Program**

In April 2020, the Trust applied for and was awarded a Paycheck Protection Program (PPP) 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 CARES Act and the provisions of the loan agreement state that the Trust may apply to the lender for forgiveness of the loan in the amount equal to the sum of eligible costs incurred by the Trust as defined in the CARES Act and the loan agreement. Given the circumstances, the Trust accounted for the funds received via the PPP as a restricted government grant pursuant to FASB Accounting Standards Codification (ASC) Topic 958-605. As of December 31, 2020, the Trust had substantially met the conditions of the grant by overcoming the barriers for loan forgiveness by incurring sufficient eligible costs and maintaining sufficient employee head counts in order to apply for full forgiveness of the loan. The Trust applied to Summit Bank and the Small Business Administration (SBA) for forgiveness of the PPP loan and on November 3, 2020, the SBA approved full forgiveness of the PPP loan.

**12. Economic Uncertainties**

As a result of the continuing COVID-19 coronavirus pandemic, economic uncertainties exists 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.

Market conditions subsequent to year end have resulted in a high degree of volatility for investments and the United States and global investment markets have experienced significant declines in value resulting from economic uncertainties including the war in Ukraine as well as the continuing COVID-19 pandemic. This market volatility has impacted the value of the Trust's investments subsequent to year end; however, because the values will continue to fluctuate with market conditions, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined.

**13. Subsequent Events**

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.