

MCKENZIE RIVER TRUST

FINANCIAL STATEMENTS

Year Ended December 31, 2022



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

MCKENZIE RIVER TRUST
FINANCIAL STATEMENTS
Year Ended December 31, 2022

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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 statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of McKenzie River Trust as of December 31, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

To the Board of Directors
McKenzie River Trust

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.

Report on Summarized Comparative Information

McKenzie River Trust's 2021 financial statements were audited by other auditors who expressed an unmodified opinion on those audited financial statements in their report dated May 17, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kern & Thompson, LLC

Portland, Oregon
June 6, 2023

MCKENZIE RIVER TRUST
STATEMENT OF FINANCIAL POSITION

December 31, 2022
(With comparative totals as of December 31, 2021)

ASSETS

	2022	2021
Cash and cash equivalents	\$ 1,330,226	\$ 2,308,535
Grants and contributions receivable (Note C)	707,646	618,293
Investments (Note D)	5,124,847	6,585,115
Prepaid expenses and deposits	4,000	3,000
Buildings, equipment and site improvements, net (Note E)	496,684	531,048
Property acquisition costs (Note G)	244,571	112,974
Land held for conservation (Note H)	7,631,632	5,134,740
Beneficial interest in assets held by others (Note F)	675,082	785,421
Total assets	\$ 16,214,688	\$ 16,079,126

LIABILITIES AND NET ASSETS

Accounts payable	\$ 211,069	\$ 66,804
Accrued payroll and related liabilities	50,957	66,714
Other deferred revenue and deposits	1,875	3,175
Deferred project funds	33,906	82,172
Note payable (Note I)	1,424,000	-
Total liabilities	1,721,807	218,865
Net assets		
Without donor restrictions		
Undesignated operating funds	1,109,969	1,299,289
Board designated program funds (Note J)	1,089,312	1,888,842
Buildings, equipment, and site improvements	496,684	531,048
Land held and site improvements on land held for conservation	6,452,203	5,247,714
Total without donor restrictions	9,148,168	8,966,893
With donor restrictions (Note J)	5,344,713	6,893,368
Total net assets	14,492,881	15,860,261
Total liabilities and net assets	\$ 16,214,688	\$ 16,079,126

See notes to financial statements.

MCKENZIE RIVER TRUST

STATEMENT OF ACTIVITIES

Year Ended December 31, 2022

(With comparative totals for the year ended December 31, 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022</u>	<u>2021</u>
Support, contracts and other revenues				
Support and contracts				
Foundation grants	\$ 129,060	\$ 289,005	\$ 418,065	\$ 1,450,968
Government grants	182,257	437,552	619,809	781,013
Corporate grants	21,076	170,363	191,439	-
Individual contributions	920,530	236,112	1,156,642	2,541,726
In-kind donations (Note K)	347,482	-	347,482	567,746
Rental income	20,400	-	20,400	18,055
Other income	1,250	-	1,250	750
	<u>1,622,055</u>	<u>1,133,032</u>	<u>2,755,087</u>	<u>5,360,258</u>
Net assets released from restrictions	<u>1,528,587</u>	<u>(1,528,587)</u>	<u>-</u>	<u>-</u>
Total support, contracts, other revenue, and reclassifications	<u>3,150,642</u>	<u>(395,555)</u>	<u>2,755,087</u>	<u>5,360,258</u>
Expenses				
Program services	1,800,413	-	1,800,413	2,731,452
Supporting services				
Management and general	333,474	-	333,474	330,521
Development	335,339	-	335,339	265,397
Total expenses	<u>2,469,226</u>	<u>-</u>	<u>2,469,226</u>	<u>3,327,370</u>
Change in net assets before non-operating activities	681,416	(395,555)	285,861	2,032,888
Non-operating revenue and expenses				
Interest received	122,305	-	122,305	98,172
Change in beneficial interest in assets held by OCF	(84,748)	-	(84,748)	140,799
Realized and unrealized gains (losses) on investments, net of expenses	(537,698)	(1,153,100)	(1,690,798)	821,182
Insurance proceeds from casualty event	48,266	-	48,266	159,117
Expenses from casualty event	(48,266)	-	(48,266)	(159,117)
Total net investment income	(500,141)	(1,153,100)	(1,653,241)	1,060,153
Change in net assets	181,275	(1,548,655)	(1,367,380)	3,093,041
Net assets, beginning of year	<u>8,966,893</u>	<u>6,893,368</u>	<u>15,860,261</u>	<u>12,767,220</u>
Net assets, end of year	<u>\$ 9,148,168</u>	<u>\$ 5,344,713</u>	<u>\$ 14,492,881</u>	<u>\$ 15,860,261</u>

See notes to financial statements.

MCKENZIE RIVER TRUST

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

(With comparative totals for the year ended December 31, 2021)

	PROGRAM SERVICES					SUPPORTING SERVICES			Total	
	Land Protection	Land Stewardship	Conservation Easement Monitoring	Public Outreach	Total Program Services	General and Administrative	Fundraising	2022	2021	
Wages	\$ 177,235	\$ 210,424	\$ 24,214	\$ 188,318	\$ 600,191	\$ 227,910	\$ 187,892	\$ 1,015,993	\$ 847,050	
Employee benefits and taxes	40,833	53,248	5,953	40,781	140,815	55,485	44,112	240,412	174,151	
Land acquisition costs	60,911	-	-	-	60,911	-	-	60,911	8,061	
Land management										
Contract labor	-	538,627	25,873	-	564,500	-	-	564,500	1,566,542	
Supplies and materials	-	36,514	30	-	36,544	-	-	36,544	20,405	
Tools and equipment	-	4,976	-	-	4,976	-	-	4,976	25,167	
Land management	-	16,602	-	-	16,602	-	-	16,602	128,591	
Site utilities	-	13,166	-	-	13,166	-	-	13,166	11,212	
Advertising	-	-	-	17,060	17,060	-	13,817	30,877	35,485	
Depreciation	-	70,467	-	-	70,467	2,224	-	72,691	60,409	
Event expense	-	-	-	7,877	7,877	-	7,005	14,882	8,751	
Grants to others	-	-	-	5,500	5,500	-	-	5,500	1,411	
In-kind goods and services	603	1,639	-	2,300	4,542	-	2,440	6,982	7,746	
Insurance	4,950	11,686	2,174	3,764	22,574	5,506	3,492	31,572	25,076	
Office expense	7,520	13,837	732	17,576	39,665	8,204	14,415	62,284	48,074	
Miscellaneous expense	3,624	4,672	325	13,725	22,346	4,352	21,627	48,325	37,368	
Professional fees	7,863	7,905	892	24,721	41,381	8,991	20,213	70,585	192,210	
Property taxes	-	36,769	-	-	36,769	-	-	36,769	22,018	
Rent, utilities, and security	15,286	18,004	2,064	15,940	51,294	19,393	16,183	86,870	71,365	
Training	7,131	4,748	161	1,764	13,804	811	1,353	15,968	9,895	
Travel	7,158	11,120	1,843	9,308	29,429	598	2,790	32,817	26,383	
Total functional expenses	\$ 333,114	\$ 1,054,404	\$ 64,261	\$ 348,634	\$ 1,800,413	\$ 333,474	\$ 335,339	\$ 2,469,226	\$ 3,327,370	

See notes to financial statements.

MCKENZIE RIVER TRUST
STATEMENT OF CASH FLOWS

Year Ended December 31, 2022
(With comparative totals for the year ended December 31, 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (1,367,380)	\$ 3,093,041
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	72,691	60,409
Realized/unrealized (gain)/loss on investments	1,690,798	(874,527)
Realized/unrealized (gain)/loss in beneficial interest in the assets of OCF	88,744	(147,236)
Donated land	(340,500)	(560,000)
Donated securities	(20,804)	(167,574)
Changes in assets and liabilities:		
Grants and contributions receivable	(89,353)	(163,193)
Insurance proceeds receivable	-	170,560
Prepaid expense and deposits	(1,000)	-
Accounts payable	144,265	31,514
Accrued payroll and related liabilities	(15,757)	27,001
Other revenue and deposits	(49,566)	(85,213)
Net cash provided by (used in) operating activities	112,138	1,384,782
Cash flows from investing activities:		
Purchase of investments, net	(213,722)	-
Proceeds from sale of investments, net	-	105,049
Distributions from beneficial interest in the assets of OCF	25,591	25,077
Purchase of equipment, land held for conservation, and site improvements	(2,326,316)	(884,911)
Net cash provided by (used in) investing activities	(2,514,447)	(754,785)
Cash flows from financing activities:		
Proceeds from borrowing	1,424,000	-
Principal payments on long-term debt	-	(200,000)
Net cash provided by (used in) financing activities	1,424,000	(200,000)
Net change in cash	(978,309)	429,997
Cash and cash equivalents, beginning of year	2,308,535	1,878,538
Cash and cash equivalents, end of year	\$ 1,330,226	\$ 2,308,535
Non cash investing activities		
In-kind contribution of land	\$ 340,500	\$ 560,000

See notes to financial statements.

MCKENZIE RIVER TRUST
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE A – DESCRIPTION OF ORGANIZATION

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, Berggren, CARP, Waite Ranch, 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, 2022 is as follows:

Acreage under management:	
Owned directly	2,565 acres
Conservation easements	4,518 acres
Total acreage under management	7,083 acres

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncements

During the fiscal year ended December 31, 2022, the Trust adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The purpose of ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the Trust. It is important to note that ASU 2020-07 did not change the accounting and recognition of nonfinancial assets but rather the presentation and disclosure requirements in the financial statements.

Basis of Presentation

The accompanying financial statements have been prepared to focus on the Trust as a whole and to present transactions in two classes of net assets – with or without donor restrictions, as follows:

- Net assets without donor restrictions represent net assets not subject to donor-imposed stipulations.
- Net assets with donor restrictions represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Trust and/or the passage of time.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

MCKENZIE RIVER TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Trust classifies as cash and cash equivalents all checking, savings, and money market accounts and all investments maturing within 90 days when purchased.

Contributions

Support is received primarily from individual contributions, private foundation grants, and various governmental grants and contracts. Contributions are generally available for unrestricted use unless restricted by the donor.

Grants and other contributions of cash and other assets are reported as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released from restrictions and reported in the statement of activities as net assets without donor restrictions.

Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals with those skills. Such services would typically need to be purchased if not provided by donation and are recorded at their fair values in the period received.

Conditional Promises to Give

A portion of the Trust's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Trust has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Trust has cost-reimbursable grants of approximately \$4,705,401 that have not been recognized at December 31, 2022 because performance requirements and/or qualifying expenditures have not yet been incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments and Fair Value Measurements

The beneficial interest in assets held by others is measured at fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Net appreciation in fair value, which consists of the realized gains or losses and the unrealized gains (losses) of the underlying investments, is also shown in the statement of activities. Interest income is accrued as earned.

MCKENZIE RIVER TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment in excess of \$5,000 is recorded at cost or at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Expenditures for additions, major renewals and betterments are capitalized, and expenditures for repairs and maintenance are expensed as they are incurred.

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.

Conservation Lands and Easements

The Trust records land and land interests at cost if purchased or at fair value at the date of acquisition, if all or part of the land was received as a donation. Fair value is generally determined by appraisal at the time of acquisition and is not subsequently adjusted. Upon sale or gift, the book value of the land or land interest is reported as a program expense; and the related proceeds, if any, are reported as revenue in the statement of activities.

Conservation land is real property with significant ecological or community value. These properties are either managed in an effort to protect ecological integrity and community value of the property, or transferred to other organizations who will manage the lands in a similar fashion.

Conservation easements are comprised of listed rights and/or restrictions over the owned property that are conveyed by a property owner to the Trust, almost always in perpetuity, in order to protect the owned property as a significant natural area, as defined in federal tax regulations. These easements may be sold or transferred to others so long as the assignee agrees to ensure, in perpetuity, the conservation purposes intended by the original grantor. 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 increased the Trust's stewardship obligations. Consequently, easements are recorded at a nominal \$1 value for tracking purposes only.

Income Taxes

The Trust has been approved as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Trust does not believe it has unrelated trade or business income in excess of \$1,000.

MCKENZIE RIVER TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been summarized in the statement of activities. Directly identifiable expenses are charged to programs and supporting services when incurred. Certain costs, including office expense, occupancy, leases and utilities have been allocated among the programs and supporting services benefited based primarily on estimates of time and effort.

Prior Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Trust's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Reclassification

Certain comparative figures have been reclassified to conform to the current year presentation.

NOTE C – GRANTS AND CONTRIBUTIONS RECEIVABLE

At December 31 2022, grants and contributions receivable are as follows:

Foundation grants	\$	74,500
Peregrine Prairie CE		292,853
Government grants		331,631
Other		<u>8,662</u>
	\$	<u><u>707,646</u></u>

NOTE D – FAIR VALUE MEASUREMENTS

Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1 – Quoted prices in active markets for identical assets. Assets in this level typically include publicly traded equities, mutual fund investments and cash equivalents.

Level 2 – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data such as published interest rates and yield curves, over-the-counter derivatives, market modeling, or other valuation methodologies.

Level 3 – Unobservable inputs that reflect management's assumptions and best estimates based on available data. Assets in this level include beneficial interests in assets held by others.

MCKENZIE RIVER TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE D – FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value of the beneficial interest in assets held by others is determined by the Oregon Community Foundation (OCF), and is based upon the Trust's proportionate interest in OCF's endowment partner fund liability after adjustments for contributions and distributions made during the year. OCF's endowment partner fund liability is stated at fair value, which is generally equivalent to the present value of future payments expected to be made to the endowment partners.

Realized and unrealized gains and losses from investments are reported in the statement of activities as they occur. There have been no changes in valuation techniques and related inputs.

The beneficial interest in assets held by others is a Level 3 investment.

	Level 1	Level 2	Level 3	Total
Fixed income funds	\$ 1,971,360	\$ -	\$ -	\$ 1,971,360
Equities	3,136,132	-	-	3,136,132
Exchange traded funds	17,354	-	-	17,354
Beneficial interest in assets held by others	-	-	675,082	675,082
	\$ 5,124,846	\$ -	\$ 675,082	\$ 5,799,928

NOTE E – BUILDINGS, EQUIPMENT AND SITE IMPROVEMENTS

Property and equipment of the Trust consist of the following:

Building and improvements	\$ 683,436
Office equipment	11,109
Tractors and vehicles	163,473
Website and database	71,307
Other equipment	38,198
Less accumulated depreciation and amortization	(470,839)
	\$ 496,684

Depreciation and amortization expense totaled \$72,691 for the year ended December 31, 2022.

MCKENZIE RIVER TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE F – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

Fair value of the beneficial interest in assets held by others is determined by the Trust's endowment partner, OCF, and is based upon the Trust's proportionate interest in OCF's endowment partner fund liability after adjustments for contributions and distributions made during the year. OCF's endowment partner fund liability is stated at fair value, which is generally equivalent to the present value of future payments expected to be made to the endowment partners. Funds may be distributed to the Trust upon a majority vote of its Board of Directors, if in the judgment of the OCF Board of Directors the requested distribution is consistent with the objectives and purposes of the Trust. If the Trust ceases to exist, distributions from the fund will be made to a qualified organization with similar objectives and purposes.

The changes in investments valued using Level 3 measurements are as follows:

Beginning balance	\$	785,421
Funds added		-
Earnings		3,996
Funds released		(25,591)
Investment fees		(6,225)
Realized gain (loss) on investment		(4,879)
Unrealized gain (loss) on investment		<u>(77,640)</u>
Total investments at fair value	\$	<u>675,082</u>

NOTE G – PROPERTY ACQUISITION COSTS

The Trust is currently in the process of adding several properties to its portfolio. Costs related to land acquisitions are incurred routinely for land that may or may not be acquired by the Trust. Due to the uncertainty related to these expenses, the Trust capitalizes all land acquisition related expenses if the land purchase is completed during the year or expected to be completed after year end. Most other costs are expensed as incurred. In addition, some acquisition expenses may be reimbursed to the Trust as a part of the purchase agreement. Reimbursements are recorded as revenue in the year in which they become unconditional.

NOTE H – LAND HELD FOR CONSERVATION

The first property to enter the Trust's portfolio did so in 1992. Land held by the Trust is valued at cost if purchased. If the land has been donated to the Trust, it is valued at fair market value at the date of acquisition, based on an independent appraisal. In addition to this, the Trust maintains various easements that are recorded at a value of \$1 each 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 year ended December 31, 2022, there were no carrying value adjustments.

MCKENZIE RIVER TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE H – LAND HELD FOR CONSERVATION (CONTINUED)

At December 31, 2022 the properties held by the Trust include the following:

McKenzie Watershed		
Finn Rock Reach	\$	873,561
Green Island		829,200
Three Sisters Meadow		578,671
Roberts Island and Preserve		529,699
Lazy Days		440,526
Drury Meadow		251,750
Chub Slough		214,199
Marvin and Marie Spores Conservation Area		204,655
McKenzie School		201,181
Berggren Watershed Conservation Area		68,047
McKenzie Oxbow		65,000
Big Island		21,184
Springfield Oxbow		19,000
Holiday Farm Fire Lots (2)		331,250
Conservation Easements		5
Long Tom Watershed		
Coyote Spencer Wetlands		547,915
Spencer Swamp		127,002
South Fork Spencer Creek		82,009
Conservation Easements		10
Willamette Watershed		
Railroad Island		74,385
Coast Fork Conservation Easements		4
Mainstem Conservation Easements		1
Middle Fork Conservation Easements		1
Siuslaw Watershed		
Wren Marsh		165,763
Waite Ranch		164,033
North Fork Marsh		35,648
Conservation Easements		5
Central Coast		
Cape Foulweather		1,806,919
Conservation Easements		6
Various Easements		
Umpqua Watershed		2
Deschutes Watershed		1
Total	\$	<u><u>7,631,632</u></u>

MCKENZIE RIVER TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE I – NOTE PAYABLE

The Trust entered into a loan agreement with Craft3 used to purchase the Cape Foulweather property, with an interest rate of 3.5% per annum. The loan is payable in nine quarterly interest payments starting December 10, 2022 and one principal and interest payment due March 10, 2025. The loan is secured by a deed of trust. The outstanding balance as of December 31, 2022 is \$1,424,000.

NOTE J – DONOR RESTRICTIONS AND BOARD DESIGNATIONS ON NET ASSETS

The Trust’s net assets with donor restrictions are subject to the following purpose restrictions:

Conservation easement	\$ 190,304
Stewardship and protection	4,978,952
Outreach and organizational development	<u>175,457</u>
Total net assets with donor restrictions	<u>\$ 5,344,713</u>

As of December 31, 2022, there is a board designated program fund totaling \$1,089,312. The purpose of this fund is to provide adequate funding for property stewardship beyond that which is donor restricted.

NOTE K – IN-KIND CONTRIBUTIONS

Contributions of donated non-cash assets are recorded at their estimated fair value in the period received. For the year ended December 31, 2022, the Trust recorded a donation of two parcels of property valued at \$340,500 and consulting services valued at \$6,982.

In addition, while the Trust provides compensation for most services requiring specific expertise, many individuals volunteer their time and perform a variety of tasks that assist the Trust with its projects. The Trust estimates that it received more than 4,854 volunteer hours by more than 483 volunteers during the year ended December 31, 2022. Those services have not been recorded in the financial statements, as the criteria for recognition have not been met.

NOTE L – LEASE COMMITMENTS

The Trust has leases for office and storage space through March 31, 2024. The main office lease requires monthly payments of about \$5,000. The Trust pays about \$750 per month for additional space at its coast and river offices. Management has considered the impact of *Accounting Standards Update No. 2016-02, Leases Topic 842* (“ASC 842”). The potential Right of Use asset and associated lease liability would be immaterial at December 31, 2022, and have not been recorded in the financial statements.

MCKENZIE RIVER TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE M – 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 year ended December 31, 2022, the employer contributions totaled \$29,788. 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.

NOTE N – LIQUIDITY

The following chart represents the Trust's financial assets available to meet cash needs for general expenditures within one year of December 31, 2022:

Cash and cash equivalents	\$	1,330,226
Grants and contributions receivable		707,646
Investments		5,124,847
Beneficial interest in funds held by others		<u>675,082</u>
Total financial assets		<u>7,837,801</u>
Less those unavailable for general expenditure within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose restriction		<u>(5,344,713)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>2,493,088</u>

As part of the Trust's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Trust invests cash in excess of current requirements in short-term investments. Although the Trust does not intend to spend from its board-designated program funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated program funds could be made available if necessary to manage unanticipated liquidity needs.

MCKENZIE RIVER TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2022

NOTE O – CONCENTRATIONS 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 \$148,469 at December 31, 2022.

The Trust's investments and brokerage money market funds (which are 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 \$5,586,788 at December 31, 2022.

NOTE P – SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 6, 2023 which is the date the financial statements were available to be issued.