

MCKENZIE RIVER TRUST

FINANCIAL STATEMENTS

Year Ended December 31, 2023



MCKENZIE RIVER TRUST
FINANCIAL STATEMENTS
Year Ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
McKenzie River Trust
Eugene, Oregon

Report on the Audit of the Financial Statements

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, 2023, 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 present fairly, in all material respects, the financial position of McKenzie River Trust as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
McKenzie River Trust

In performing an audit in accordance with generally accepted auditing standards and *Government 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 raised 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2024 on our consideration of McKenzie River Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of McKenzie River Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McKenzie River Trust's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited McKenzie River Trust's December 31, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 6, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Portland, Oregon
July 30, 2024

MCKENZIE RIVER TRUST

STATEMENT OF FINANCIAL POSITION

December 31, 2023

(With comparative amounts as of December 31, 2022)

ASSETS

	2023	2022
Cash and cash equivalents	\$ 1,646,868	\$ 1,330,226
Grants and contributions receivable (Note C)	468,613	707,646
Investments (Note D)	7,540,208	5,124,847
Prepaid expenses and deposits	4,000	4,000
Buildings, equipment and site improvements, net (Note E)	439,195	496,684
Property acquisition costs (Note G)	250,619	244,571
Land held for conservation (Note H)	14,744,074	7,631,632
Beneficial interest in assets held by others (Note F)	711,857	675,082
Total assets	\$ 25,805,434	\$ 16,214,688

LIABILITIES AND NET ASSETS

Accounts payable	\$ 120,658	\$ 211,069
Accrued payroll and related liabilities	69,763	50,957
Other deferred revenue and deposits	2,880	1,875
Deferred project funds	25,381	33,906
Notes payable (Note I)	2,374,000	1,424,000
Total liabilities	2,592,682	1,721,807
Net assets		
Without donor restrictions		
Undesignated operating funds	1,015,282	1,109,969
Board designated program funds (Note J)	1,318,620	1,089,312
Buildings, equipment, and site improvements	439,195	496,684
Land held and site improvements on land held for conservation	12,620,692	6,452,203
Total without donor restrictions	15,393,789	9,148,168
With donor restrictions (Note J)	7,818,963	5,344,713
Total net assets	23,212,752	14,492,881
Total liabilities and net assets	\$ 25,805,434	\$ 16,214,688

See notes to financial statements.

MCKENZIE RIVER TRUST

STATEMENT OF ACTIVITIES

Year Ended December 31, 2023

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023</u>	<u>2022</u>
Support, contracts and other revenues				
Support and contracts				
Foundation grants	\$ 290,516	\$ 432,500	\$ 723,016	\$ 418,065
Government grants	4,500	4,350,313	4,354,813	619,809
Corporate grants	134,504	573,569	708,073	191,439
Individual contributions	890,861	464,075	1,354,936	1,156,642
In-kind donations (Note K)	20,584	-	20,584	6,982
In-kind land donations (Note K)	5,685,469	-	5,685,469	340,500
Program income	2,600	16,680	19,280	20,400
Other income	1,044	-	1,044	1,250
	<u>7,030,078</u>	<u>5,837,137</u>	<u>12,867,215</u>	<u>2,755,087</u>
Net assets released from restrictions	<u>4,511,864</u>	<u>(4,511,864)</u>	<u>-</u>	<u>-</u>
Total support, contracts, other revenue, and reclassifications	<u>11,541,942</u>	<u>1,325,273</u>	<u>12,867,215</u>	<u>2,755,087</u>
Expenses				
Program services	4,737,201	-	4,737,201	1,800,413
Supporting services				
Management and general	436,340	-	436,340	333,474
Development	574,926	-	574,926	335,339
Total expenses	<u>5,748,467</u>	<u>-</u>	<u>5,748,467</u>	<u>2,469,226</u>
Change in net assets before non-operating activities	5,793,475	1,325,273	7,118,748	285,861
Non-operating revenue and expenses				
Interest received	82,637	95,400	178,037	122,305
Change in beneficial interest in assets held by OCF	64,861	-	64,861	(84,748)
Realized and unrealized gains (losses) on investments, net of expenses	304,648	1,053,577	1,358,225	(1,690,798)
Insurance proceeds from casualty event	8,525	-	8,525	48,266
Expenses from casualty event	(8,525)	-	(8,525)	(48,266)
Change in net assets	6,245,621	2,474,250	8,719,871	(1,367,380)
Net assets, beginning of year	<u>9,148,168</u>	<u>5,344,713</u>	<u>14,492,881</u>	<u>15,860,261</u>
Net assets, end of year	<u>\$ 15,393,789</u>	<u>\$ 7,818,963</u>	<u>\$ 23,212,752</u>	<u>\$ 14,492,881</u>

See notes to financial statements.

MCKENZIE RIVER TRUST

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

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

	PROGRAM SERVICES					SUPPORTING SERVICES			Total	
	Land Protection	Land Stewardship	Conservation Easement Monitoring	Public Outreach	Total Program Services	General and Administrative	Fundraising	2023	2022	
Wages	\$ 127,308	\$ 305,920	\$ 21,067	\$ 232,794	\$ 687,089	\$ 298,506	\$ 344,705	\$ 1,330,300	\$ 1,015,993	
Employee benefits and taxes	33,465	79,309	5,242	55,114	173,130	80,444	80,821	334,395	240,412	
Land acquisition costs	123,061	-	-	-	123,061	-	-	123,061	60,911	
Land management										
Contract labor	-	3,138,192	16,884	-	3,155,076	-	-	3,155,076	564,500	
Supplies and materials	-	40,993	79	-	41,072	-	-	41,072	36,544	
Tools and equipment	-	6,539	-	-	6,539	-	-	6,539	4,976	
Other land management	-	59,956	-	-	59,956	-	-	59,956	16,602	
Site utilities	-	10,256	-	-	10,256	-	-	10,256	13,166	
Mailings	-	-	-	28,025	28,025	-	15,745	43,770	30,877	
Depreciation	-	71,410	-	-	71,410	1,361	-	72,771	72,691	
Event expense	-	-	-	6,535	6,535	-	18,213	24,748	14,882	
Grants to others	-	26,791	-	84,925	111,716	-	-	111,716	5,500	
In-kind goods and services	3,788	1,554	-	1,776	7,118	-	3,469	10,587	6,982	
Insurance	1,835	13,776	2,090	3,719	21,420	6,244	4,830	32,494	31,572	
Office expense	4,348	14,713	492	18,779	38,332	7,639	17,664	63,635	62,284	
Miscellaneous expense	2,726	6,536	447	12,391	22,100	4,816	30,048	56,964	48,325	
Professional fees	4,666	12,496	1,175	28,878	47,215	9,346	23,987	80,548	70,585	
Property taxes	-	29,163	-	-	29,163	-	-	29,163	36,769	
Rent, utilities, and security	9,366	22,278	1,529	17,099	50,272	22,125	25,197	97,594	86,870	
Training	1,703	5,566	255	3,839	11,363	3,054	3,814	18,231	15,968	
Travel	4,273	19,263	1,508	11,309	36,353	2,805	6,433	45,591	32,817	
Total functional expenses	\$ 316,539	\$ 3,864,711	\$ 50,768	\$ 505,183	\$ 4,737,201	\$ 436,340	\$ 574,926	\$ 5,748,467	\$ 2,469,226	

See notes to financial statements.

MCKENZIE RIVER TRUST

STATEMENT OF CASH FLOWS

Year Ended December 31, 2023

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

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 8,719,871	\$ (1,367,380)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	72,771	72,691
Realized/unrealized (gain)/loss on investments	(1,358,225)	1,690,798
Realized/unrealized (gain)/loss in beneficial interest in the assets of OCF	(64,861)	88,744
Donated land	(5,685,469)	(340,500)
Donated securities	(277,260)	(20,804)
Changes in assets and liabilities:		
Grants and contributions receivable	239,033	(89,353)
Prepaid expense and deposits	-	(1,000)
Accounts payable	(90,411)	144,265
Accrued payroll and related liabilities	18,806	(15,757)
Other revenue and deposits	(7,520)	(49,566)
Net cash provided by (used in) operating activities	1,566,735	112,138
Cash flows from investing activities:		
Purchase of investments, net	(779,876)	(213,722)
Distributions from beneficial interest in the assets of OCF	28,086	25,591
Purchase of equipment, land held for conservation, and site improvements	(498,303)	(902,316)
Net cash provided by (used in) investing activities	(1,250,093)	(1,090,447)
Net change in cash	316,642	(978,309)
Cash and cash equivalents, beginning of year	1,330,226	2,308,535
Cash and cash equivalents, end of year	\$ 1,646,868	\$ 1,330,226
Supplemental disclosure of activities and financing		
Proceeds from notes payable used to purchase land held for conservation	\$ 950,000	\$ 1,424,000
Non cash investing activities		
In-kind contribution of land	\$ 5,685,469	\$ 340,500

See notes to financial statements.

MCKENZIE RIVER TRUST
NOTES TO FINANCIAL STATEMENTS

December 31, 2023

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. The Trust also holds and monitors conservation easements through its service area. Acreage managed by the Trust as of December 31, 2023 is as follows:

Acreage under management:	
Conservation lands	4,414 acres
Conservation easements	<u>4,619 acres</u>
Total acreage under management	<u><u>9,033 acres</u></u>

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

MCKENZIE RIVER TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

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. Donated noncash assets are used for programmatic purposes and are not monetized.

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 \$789,251 that have not been recognized at December 31, 2023 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 (losses) and the unrealized gains (losses) of the underlying investments, is also shown in the statement of activities. Interest income is accrued as earned.

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.

MCKENZIE RIVER TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

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.

Leases

The Organization determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Organization determines these assets are leased because the Organization has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically for the exercise of the right to substitute the asset are not considered to be or contain a lease because the Organization determines it does not have the right to contract and direct the use of the identified asset.

In evaluating its contracts, the Organization separately identifies lease and non-lease components, such as fixed common area and other fixed maintenance costs, in calculating the ROU assets and lease liabilities for its office space and fixtures. Non-lease components, which primarily include payments for maintenance and utilities, are excluded from lease payments in calculating the ROU balances.

Leases result in the recognition of ROU assets and lease liabilities on the balance sheet. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the implicit rate when readily determinable. As most leases do not provide an implicit rate, the Organization uses a risk free discount rate for the leased office space.

Lease expense is generally recognized on a straight-line basis over the lease term.

In 2023, all leases in effect were less than one year or were immaterial to the financial statements. In 2024, the Trust entered into a new long-term operating lease, see Note O.

MCKENZIE RIVER TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 lands are 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 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.

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, 2022, from which the summarized information was derived.

MCKENZIE RIVER TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023

NOTE C – GRANTS AND CONTRIBUTIONS RECEIVABLE

At December 31 2023, grants and contributions receivable are as follows:

Foundation grants	\$	37,995
Government grants		316,867
Other		<u>113,751</u>
	\$	<u><u>468,613</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.

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.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income funds	\$ 2,595,541	\$ -	\$ -	\$ 2,595,541
Equities	4,926,503	-	-	4,926,503
Exchange traded funds	18,164	-	-	18,164
Beneficial interest in assets held by others	<u>-</u>	<u>-</u>	<u>711,857</u>	<u>711,857</u>
	<u>\$ 7,540,208</u>	<u>\$ -</u>	<u>\$ 711,857</u>	<u>\$ 8,252,065</u>

MCKENZIE RIVER TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023

NOTE E – 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	\$	675,082
Earnings		5,358
Funds released		(28,086)
Investment fees		(6,411)
Realized gain (loss) on investment		4,034
Unrealized gain (loss) on investment		<u>61,880</u>
Total investments at fair value	\$	<u>711,857</u>

NOTE F – BUILDINGS, EQUIPMENT AND SITE IMPROVEMENTS

Property and equipment of the Trust consist of the following:

Building and improvements	\$	677,787
Office equipment		11,119
Tractors and vehicles		184,971
Website and database		71,307
Other equipment		31,953
Less accumulated depreciation and amortization		<u>(537,942)</u>
	\$	<u>439,195</u>

Depreciation and amortization expense totaled \$72,771 for the year ended December 31, 2023.

MCKENZIE RIVER TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023

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 conservation 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, 2023, there were no carrying value adjustments.

At December 31, 2023 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		586,429
Spencer Swamp		127,002
South Fork Spencer Creek		82,010
Conservation Easements		10

MCKENZIE RIVER TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023

NOTE H – LAND HELD FOR CONSERVATION (CONTINUED)

Willamette Watershed	
Willamette Confluence Preserve	\$ 4,893,139
Railroad Island	74,385
Coast Fork Conservation Easements	4
Mainstem Conservation Easements	1
Middle Fork Conservation Easements	1
Siuslaw Watershed	
Sweet Creek Forest	419,932
Wren Marsh	165,763
Waite Ranch	164,033
Site 59	134,637
North Fork Marsh	35,648
Conservation Easements	5
Central Coast	
Cape Foulweather	1,806,919
Boone-Nute Slough	1,272,586
Deeming	353,632
Conservation Easements	7
Various Easements	
Umpqua Watershed	2
Deschutes Watershed	1
	1
Total	\$ 14,744,074

NOTE I – NOTES PAYABLE

At December 31, 2023, long-term debt consisted of the following:

Note payable to Craft 3 for \$1,424,000; secured by deed of trust; the loan has an interest rate of 3.5% per annum and is payable in nine quarterly interest payments starting December 10, 2022 and one principal and interest payment due March 10, 2025.	\$ 1,424,000
Note payable to individuals for \$950,000; secured by deed of trust; zero interest loan with no payments due until maturity at December 15, 2026.	950,000
Total notes payable	\$ 2,374,000

MCKENZIE RIVER TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023

NOTE I – NOTES PAYABLE (CONTINUED)

The contractual maturities of notes payable for the next five years are as follows:

Year Ending December 31,	
2024	\$ -
2025	1,424,000
2026	<u>950,000</u>
	<u>\$ 2,374,000</u>

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	\$ 177,069
Stewardship and protection	7,595,450
Outreach and organizational development	<u>46,444</u>
Total net assets with donor restrictions	<u>\$ 7,818,963</u>

As of December 31, 2023, there is a board designated program fund totaling \$1,318,620. 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. Contributed services are valued at market rates for similar services. Contributed land is valued at the estimated price that would be received for a sale of similar property in Oregon. For the year ended December 31, 2023, the Trust recorded donations as follows:

Non-Operating Land In-kind:	
Willamette Confluence Preserve	\$ 4,729,469
Estergard Land (Site 59)	130,000
Deeming Land	350,000
Petzold Road Land (Coyote Spencer Wetlands)	35,000
Rhoads Land (Willamette Confluence Preserve)	25,000
Sweet Creek Land	<u>416,000</u>
	5,685,469
Goods and services	<u>20,584</u>
Total In-kind	<u>\$ 5,706,053</u>

MCKENZIE RIVER TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2023

NOTE K – IN-KIND CONTRIBUTIONS (CONTINUED)

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 4,133 volunteer hours by more than 503 volunteers during the year ended December 31, 2023. Those services have not been recorded in the financial statements, as the criteria for recognition have not been met.

NOTE L – 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, 2023, the employer contributions totaled \$39,079. 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 M – LIQUIDITY

The following chart represents the Trust's financial assets available to meet cash needs for general expenditures within one year of December 31, 2023:

Cash and cash equivalents	\$	1,646,868
Grants and contributions receivable		468,613
Investments		7,540,208
Beneficial interest in funds held by others		711,857
Total financial assets		<u>10,367,546</u>
Less those unavailable for general expenditure within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose restriction		<u>(7,818,963)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>2,548,583</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, 2023

NOTE N – 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 \$614,661 at December 31, 2023.

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 \$7,808,969 at December 31, 2023.

NOTE O – SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 30, 2024, which is the date the financial statements were available to be issued.

In March of 2024, the Trust entered into a five-year operating office lease agreement which includes base monthly payments of \$6,500 with annual payment escalation of 3%.