

**SOUTHERN OREGON LAND
CONSERVANCY, INC.**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

WITH

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT



Certified Public Accountants, LLP
audit | tax | advisory | wealth management | cfo

SOUTHERN OREGON LAND CONSERVANCY, INC.

Year Ended December 31, 2019

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
Southern Oregon Land Conservancy, Inc.
Ashland, Oregon

Management is responsible for the accompanying financial statements of Southern Oregon Land Conservancy, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

KDP Certified Public Accountants, LLP

KDP Certified Public Accountants, LLP
Medford, Oregon
June 15, 2020

SOUTHERN OREGON LAND CONSERVANCY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$	251,414
Investments		2,967,956
Pledges receivable		3,002
Bequests receivable		60,000
Prepaid expenses		8,597
Property held for sale		1,196,184

Total current assets		4,487,153
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NON-CURRENT ASSETS:

Note receivable and associated accrued interest		13,367
Pledges receivable		2,677
Property and equipment, net of accumulated depreciation		92,803
Conservation lands		2,363,466
Conservation easements		3,321,700
Beneficial interest in charitable trust		552,679

Total non-current assets		6,346,692
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TOTAL ASSETS		\$ 10,833,845
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LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable and other liabilities	\$	33,360
Accrued payroll related expenses		14,699

Total liabilities		48,059
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NET ASSETS:

Without donor restrictions		8,402,973
With donor restrictions		2,382,813

Total net assets		10,785,786
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TOTAL LIABILITIES AND NET ASSETS		\$ 10,833,845
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SOUTHERN OREGON LAND CONSERVANCY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT:			
Member dues	\$ 235,061	\$ -	\$ 235,061
Contributions	1,505,868	153,707	1,659,575
Special events	72,147	-	72,147
Grants	-	135,913	135,913
Investment income, net	47,007	2,133	49,140
Net realized and unrealized gain on investments	289,545	85,191	374,736
Change in beneficial interest in trust	-	133,656	133,656
Miscellaneous	19,702	-	19,702
	<u>2,169,330</u>	<u>510,600</u>	<u>2,679,930</u>
Total revenues and support before net assets released from restriction			
	<u>2,169,330</u>	<u>510,600</u>	<u>2,679,930</u>
Net assets released from restrictions	<u>159,087</u>	<u>(159,087)</u>	<u>-</u>
Total revenues and support	<u>2,328,417</u>	<u>351,513</u>	<u>2,679,930</u>
EXPENSES:			
Program expenses:			
Stewardship	234,458	-	234,458
Land protection	118,824	-	118,824
Outreach and education	110,441	-	110,441
	<u>463,723</u>	<u>-</u>	<u>463,723</u>
Total program expenses			
	<u>463,723</u>	<u>-</u>	<u>463,723</u>
Support services expenses:			
Fundraising	93,836	-	93,836
Management and general	71,536	-	71,536
	<u>165,372</u>	<u>-</u>	<u>165,372</u>
Total support services expense			
	<u>165,372</u>	<u>-</u>	<u>165,372</u>
Total expenses	<u>629,095</u>	<u>-</u>	<u>629,095</u>
CHANGE IN NET ASSETS	1,699,322	351,513	2,050,835
NET ASSETS - BEGINNING OF YEAR	<u>6,703,651</u>	<u>2,031,300</u>	<u>8,734,951</u>
NET ASSETS - END OF YEAR	<u>\$ 8,402,973</u>	<u>\$ 2,382,813</u>	<u>\$ 10,785,786</u>

SOUTHERN OREGON LAND CONSERVANCY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	<u>Programs</u>				<u>Support Services</u>			<u>Total</u>
	<u>Stewardship</u>	<u>Land Protection</u>	<u>Outreach and Education</u>	<u>Subtotal</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Subtotal</u>	
Operating Expenses								
Salaries	\$ 117,637	\$ 80,231	\$ 65,836	\$ 263,704	\$ 47,032	\$ 45,889	\$ 92,921	\$ 356,625
Payroll taxes and benefits	14,927	10,180	8,354	33,461	5,968	5,823	11,791	45,252
	132,564	90,411	74,190	297,165	53,000	51,712	104,712	401,877
Professional services	3,519	2,052	8,094	13,665	4,985	1,487	6,472	20,137
Professional development and accreditation	857	365	1,161	2,383	300	1,340	1,640	4,023
Advertising	2,886	1,682	1,655	6,223	1,054	1,219	2,273	8,496
Technology	2,507	1,461	1,438	5,406	915	1,059	1,974	7,380
Printing and postage	415	415	7,463	8,293	7,463	829	8,292	16,585
Special events	-	-	-	-	15,400	-	15,400	15,400
Finance charges	7,518	4,383	4,313	16,214	2,745	3,177	5,922	22,136
Miscellaneous	11,406	7,184	1,410	20,000	1,410	1,546	2,956	22,956
Accounting	9,379	5,468	5,380	20,227	3,424	3,963	7,387	27,614
Travel	1,985	608	642	3,235	-	1,014	1,014	4,249
Insurance	17,682	468	468	18,618	468	468	936	19,554
Occupancy	3,281	1,913	1,882	7,076	1,198	1,386	2,584	9,660
Utilities and telecommunications	1,466	855	841	3,162	535	619	1,155	4,317
Supplies	3,068	778	764	4,610	487	565	1,053	5,663
Property taxes	13,393	-	-	13,393	-	-	-	13,393
Depreciation expense	987	781	740	2,508	452	1,151	1,603	4,111
Building and grounds improvements	21,545	-	-	21,545	-	-	-	21,545
Total Expenses	\$ 234,458	\$ 118,824	\$ 110,441	\$ 463,723	\$ 93,836	\$ 71,536	\$ 165,372	\$ 629,095

See accompanying notes and independent accountant's compilation report.

SOUTHERN OREGON LAND CONSERVANCY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 2,050,835
Items not requiring (providing) cash	
Depreciation	4,111
Reinvested income on investments, net of fees	(49,140)
Realized and unrealized gains on investments	(374,736)
Gain on beneficial interest in charitable trust	(133,656)
Contributions restricted for long-term purposes	(92,788)
Stock contributions	(42,332)
Contribution of property held for sale	(1,196,184)
(Increase) decrease in:	
Pledges receivable	8,031
Bequests receivable	(60,000)
Prepaid expenses	(3,186)
Accrued interest receivable	(375)
Grants receivable	6,000
Increase (decrease) in:	
Accounts payable	30,634
Accrued payroll expenses	(4,626)
	142,588
Net cash provided by operating activities	142,588

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(500,727)
Proceeds from sales of investments	368,625
	(132,102)
Net cash used by investing activities	(132,102)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from contributions restricted for long-term purposes	92,788
	92,788
Net cash provided by financing activities	92,788

NET INCREASE IN CASH AND CASH EQUIVALENTS 103,274

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 148,140

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 251,414

SOUTHERN OREGON LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Southern Oregon Land Conservancy, Inc. (Conservancy) is a nonprofit corporation formed in 1978 in the State of Oregon to work cooperatively with landowners, partners, and communities to protect high priority lands in the Rogue River Region for current and future generations. The Conservancy is dedicated to the permanent protection of forests, working farms and ranches, rivers, and streams in the Rogue River Region.

Basis of Presentation

The financial statements of the Conservancy have been prepared in accordance with U.S. generally accepted accounting principles, which require the Conservancy to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Conservancy. These net assets may be used at the discretion of management and the board of directors (the Board).

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Conservancy or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Tax-Exempt Status

The Conservancy is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and received their latest determination letter from the IRS in July 1981 which extended their original status from September 1979. However, income from certain activities not directly related to the Conservancy's tax-exempt purpose is subject to taxation as unrelated business income. The Conservancy qualifies for the charitable contribution deduction and has also been classified as an organization that is not a private foundation under Section 509(a).

The Conservancy's Federal Form 990, Return of Organization Exempt from Income Tax, and annual filings with the State of Oregon, are subject to examination by the respective taxing authorities, generally for three years after they were filed. The Conservancy has concluded no material uncertain tax positions have been taken on any open tax returns. For the current year, management believes all tax positions are fully supportable by existing Federal law and related interpretations and there are no uncertain tax positions to consider.

SOUTHERN OREGON LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Donated services are recognized as contributions in accordance with the FASB ASC. If the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Conservancy. Volunteers may provide various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under the ASC are not met, or the valuation of such services cannot be reasonably determined. No amounts have been reflected in the financial statements for donated services for the year ended December 31, 2019.

New FASB Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard for US GAAP and International Financial Reporting Standards (“IFRS”). ASU 2014-09 requires new disclosures about contracts with customers, significant judgements in determining the satisfaction of performance obligations in contracts, and assets recognized from costs to obtain or fulfill contracts. ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date (issued August 2015) deferred the effective date of ASU 2014-09 for annual reporting periods beginning after December 15, 2017 (fiscal year 2019).

In February 2017, the FASB issued ASU 2017-05, Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets, which requires measurement of a retained noncontrolling interest in a transferred nonfinancial asset, such as conservation land, at fair value consistent with how a retained noncontrolling interest in a business is measured and has the same effective date as ASU 2014-09. As a result of adopting these standards using the retrospective application with practical expedients elected, no prior year amounts were reclassified to conform to the presentation requirements. There was no material impact to the financial statements as a result of adoption.

SOUTHERN OREGON LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New FASB Pronouncements (continued)

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which shifts the accounting for revenue recognition for most government grants from an exchange model to the contribution accounting model, resulting in most federal grants being accounted for as donor-restricted conditional contributions. The Conservancy has elected the “simultaneous release” accounting policy option such that grants received and used within the same period are reported in net assets without donor restriction, consistent with the previous presentation of government grants and contracts revenue in the statement of activities. Because most federal grants are awarded on a cost reimbursable basis, contribution revenue is triggered by incurring reimbursable costs and timing of revenue recognition is not materially impacted by this amendment. For subgrants, expense recognition is deferred for conditional arrangements and immediate for unconditional arrangements. ASU 2018-08 is effective for annual periods beginning after December 15, 2018 for contributions received and effective for annual periods beginning after December 15, 2019 on contributions made; early adoption is permitted. The Conservancy early adopted the amendments for contributions made for fiscal year 2019, and in accordance with ASU 2018-08, no cumulative-effect adjustments are reflected in the opening balance of net assets. ASU 2018-08 also requires that entities determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets, which is likely to result in more grants and contracts being accounted for as conditional contributions than in prior years and an increase in the amount of deferred revenue and refundable advances. This guidance is applied on a modified prospective basis, meaning that there is no cumulative-effect adjustment to the opening balance of net assets as a result of adoption.

Advertising

The Conservancy expenses advertising costs as incurred. Advertising expense for the year ended December 31, 2019 was \$8,496.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical methods.

Program activities include expenses directly related to the exempt purpose of the Conservancy. Currently, there are three program focuses. Stewardship activities focus on monitoring property with easements and fee title to ensure terms are being upheld and provide information to landholders. Land protection activities focus on working with and networking with Federal, State, and local interested organizations and agencies, and landowners to build a portfolio of land through ownership or easements. Outreach and education activities focus on broadcasting and enhancing the mission of the Conservancy to the community. Fundraising activities provide the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations. Management and General activities include the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Conservancy’s program strategy; secure proper administrative functioning of the Board; and manage the financial and budgetary responsibilities of the Conservancy.

SOUTHERN OREGON LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash, money market accounts and other securities with maturities of three months or less at date of acquisition that are not otherwise held by an investment advisor.

Investments

Investments are stated at fair value based on quoted market prices. Investments acquired by gift are recorded at fair value on the date received. Investments in marketable securities are adjusted to fair value through recognition of unrealized gains and losses in operating income as they are classified as trading securities. Gains or losses are calculated based on specific identification of the investments. Dividends, interest and other investment income are recorded net of related custodial and advisory fees.

Property and Equipment

Property and equipment are carried at cost. Depreciation and amortization are provided using the straight-line method for all depreciable assets over the estimated useful lives of the assets, which range from 5 to 39 years.

Conservation Lands and Easements

The Conservancy 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 value. These properties are either managed in an effort to protect the natural biological diversity of the property or transferred to other organizations who will manage the lands in a similar fashion. The Conservancy owns 3 conservation lands totaling 1,192 acres of land.

Conservation easements are comprised of listed rights and/or restrictions over the owned property that are conveyed by a property owner to the Conservancy, almost always in perpetuity, in order to protect the owned property as a significant natural area, as defined in federal tax regulations. These intangible assets may be sold or transferred to others so long as the assignee agrees to carry out, in perpetuity, the conservation purposes intended by the original grantor. The Conservancy currently holds 66 easements totaling 10,568 acres of land.

Conservation easements, by their very nature, do not generate material amounts of cash inflow annually.

Compensated Absences

The Conservancy's personnel policy provides employees with regular leave for any approved personal reasons.

SOUTHERN OREGON LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

NOTE 2 – AVAILABILITY AND LIQUIDITY

The following represents the Conservancy's financial assets at December 31, 2019:

Financial assets:		
Cash and cash equivalents	\$	251,414
Pledge payments available for operations		3,002
Investments		<u>801,009</u>
 Total financial assets available within one year	 \$	 <u><u>1,055,425</u></u>

The Conservancy's goal is generally to maintain financial assets available to meet 6 months of general expenditures (operating expenses). Utilizing the 2019 statement of activities, 6 months of operating expenses approximates \$310,000.

NOTE 3 – CASH AND CASH EQUIVALENTS

The Conservancy maintains its cash balances and money market funds in a national institution with offices located in Southern Oregon. At December 31, 2019 all deposit accounts were guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. The Conservancy had no uninsured deposits at December 31, 2019.

NOTE 4 – INVESTMENTS

The Conservancy maintains its investments in a national institution with offices located in Southern Oregon. At December 31, 2019, securities were insured up to \$500,000 by the Securities Investor Protection Corporation (SIPC) and cash accounts, such as a money market fund, were insured up to a maximum of \$250,000. The Conservancy's uninsured investments were \$2,467,956 at December 31, 2019. The Conservancy did not have any uninsured cash accounts held by investment advisors at December 31, 2019.

SOUTHERN OREGON LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 5 – PLEDGES RECEIVABLE

The Conservancy receives pledges, grants and contracts from various individuals and organizations. An allowance for doubtful accounts has not been recorded by management for these balances as they estimate any uncollectible amount to be insignificant based on historical reference.

As of December 31, 2019, the Conservancy's pledges receivable consisted of the following:

Due within one year	\$	3,002
Due in one to five years		4,125
		<hr/> 7,127
Less: unamortized discount		1,448
		<hr/> <hr/> \$ 5,679

Discount rate of 1.61 percent was used for pledges due in future periods.

NOTE 6 – NOTE RECEIVABLE AND ASSOCIATED ACCRUED INTEREST

The Conservancy holds a promissory note in the amount of \$7,500 which is secured by real property located in Jackson County, Oregon. The note requires compliance with a Conservation Easement on the secured property. The entire note balance, including accrued interest computed at 5.00%, becomes due on the maturity date of June 30, 2040. If the property is sold, or there is a violation of the underlying Conservation Easement, or the grantor dies before the maturity date, the entire unpaid balance of the note becomes due and payable. Both the principal of \$7,500 and the accrued interest of \$5,867 are included in note receivable and associated accrued interest at December 31, 2019.

NOTE 7 – BENEFICIAL INTEREST IN CHARITABLE TRUST

The Conservancy is a beneficiary of a charitable trust and will receive the remaining assets of the trust upon the deaths of the current beneficiaries. Total trust assets at December 31, 2019 are valued at \$1,099,236. \$552,679 is recorded at December 31, 2019 which is based upon the fair value of the trust assets less the present value of the estimated future cash payments to the beneficiaries using a rate of return of 2.391%.

NOTE 8 – PROPERTY HELD FOR SALE

On April 30, 2019, the Conservancy received approximately 804 acres of donated property in Wolf Creek, Oregon, known as Sourdough Gulch Ranch, with the condition that it must be placed under a conservation easement before being sold. The Conservancy is holding this property with the intent to sell and the asset has been classified as "Property held for sale" in the Conservancy's statement of financial position. This asset was recorded at fair value on the date of donation. The fair value of \$1,196,184 was determined by appraisal at the time of donation. The value of the property held for sale at December 31, 2019, was valued at the lower of its carrying cost (i.e. fair value at time of donation) or fair value less cost to sell (net realizable value). It was determined that the carrying cost of the property was consistent with its net realizable value. As a result, the value of the property held for sale at December 31, 2019 was \$1,196,184.

SOUTHERN OREGON LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 9 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 consisted of the following:

Building on conservation land and improvements	\$	96,572
Furniture and equipment		14,511
		111,083
Totals		111,083
Less accumulated depreciation		(18,280)
		(18,280)
Property and equipment, net	\$	92,803

NOTE 10 – LEASES

Effective May 1, 2015, the Conservancy entered into a lease agreement with Geos Institute for office space. The initial term of the lease was from May 1, 2015 to April 30, 2020. An addendum to the lease was effective October 1, 2018 which increased the monthly rent from \$550 per month to \$775 per month. Total lease expense under this contract for the year ended December 31, 2019 was \$9,300. Future minimum lease payments for the year ending December 31, 2020 are \$3,100 (see subsequent event note 17).

NOTE 11 – NET ASSETS

Donor Restricted Net Assets

Net assets with donor restrictions are restricted for the following purposes at December 31, 2019:

Subject to expenditure for a specific purpose:

Stewardship	\$	308,449
Rogue River preserve fund		778,573
Land protection		47,120
Unappropriated endowment earnings		22,015
Outreach		31,072
		1,187,229

Total subject to expenditure for a specific purpose 1,187,229

Time restricted:

Beneficial interest in trust		552,679
		552,679

Total subject to time restriction 552,679

Not subject to expenditure:

Wildlands Endowment Fund		437,206
Southern Oregon Land		205,699
Conservancy Endowment Fund		205,699
		642,905

Total not subject to expenditure 642,905

Total net assets with restrictions \$ 2,382,813

SOUTHERN OREGON LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 11 – NET ASSETS (continued)

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released from net assets with donor restrictions for the year ended December 31, 2019 are as follows:

Purpose restrictions accomplished:	
Stewardship	\$ 77,606
Land protection	28,506
Outreach	7,128
Management and general	<u>45,847</u>
 Total released from restriction	 <u>\$ 159,087</u>

NOTE 11 – ENDOWMENT FUNDS

The Conservancy's endowment includes donor-restricted endowment funds, the Wildlands Endowment Fund, and funds designated by the Board to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Wildlands Endowment Fund are funds received in connection with an Endowment Funding and Management Agreement (Funding Agreement). Income earned on the principal from the Funding Agreement can only be used to manage, maintain and monitor a specific property and the income must be reinvested until contributions have reached a specified dollar amount.

The Conservancy's board of directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Conservancy classifies as net assets with donor restrictions the historical value of donor-restricted endowment funds, which includes (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) changes to the permanent endowment in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Also included in net assets with donor restrictions is accumulated appreciation on donor restricted "true" endowment funds which are available for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA, and deficiencies associated with funds where the value of the fund has fallen below the original value of the gift. In accordance with UPMIFA, the Conservancy considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Conservancy and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Conservancy
7. Investment policies of the Conservancy

SOUTHERN OREGON LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 11 – ENDOWMENT FUNDS (continued)

The composition of net assets by type of endowment fund at December 31, 2019 was:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Investments by type of fund:			
Donor-restricted endowment funds			
Historical gift value	\$ -	\$ 579,679	\$ 579,679
Appreciation/ Depreciation	-	85,241	85,241
Board-designated			
Funds functioning as endowment	<u>569,738</u>	<u>-</u>	<u>569,738</u>
Total endowment funds	<u>\$ 569,738</u>	<u>\$ 664,920</u>	<u>\$ 1,234,658</u>

Changes in endowment net assets for the year ended December 31, 2019 was:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 317,770</u>	<u>\$ 486,841</u>	<u>\$ 804,611</u>
Investment return			
Investment income, net of fees	28,929	(319)	28,610
Net realized and unrealized gains	<u>240,456</u>	<u>85,560</u>	<u>326,016</u>
Total investment return	269,385	85,241	354,626
Endowment payout	<u>(89,168)</u>	<u>-</u>	<u>(89,168)</u>
Investment return, net of payout	<u>180,217</u>	<u>85,241</u>	<u>265,458</u>
Contributions and other income	<u>71,751</u>	<u>92,838</u>	<u>164,589</u>
Endowment net assets, end of year	<u>\$ 569,738</u>	<u>\$ 664,920</u>	<u>\$ 1,234,658</u>

SOUTHERN OREGON LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 12 – ALLOCATION OF JOINT COSTS

The Conservancy conducted activities that included requests for contributions, as well as program and management and general components. These activities included various management-level salaries and associated payroll taxes and benefits, and other expenses. During the fiscal year-ended December 31, 2019, the costs of conducting these activities included a total of \$544,342 of joint costs, which are not specifically attributable to particular components of the activities joint costs. The joint costs were allocated as follows:

Program	\$	400,606	
Fundraising		74,924	
Management and general		68,812	
		68,812	
	\$	544,342	

NOTE 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS

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. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis at December 31, 2019:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash & cash alternatives	\$ 285,653	\$ -	\$ -	\$ 285,653
Equity ETF & mutual funds	1,620,218	-	-	1,620,218
Fixed income ETF & mutual funds	719,300	-	-	719,300
Certificates of deposit	342,785	-	-	342,785
Total investments	\$2,967,956	\$ -	\$ -	\$ 2,967,956
Beneficial interest in trusts:				
Beneficial interest in charitable trust	\$ -	\$ -	\$ 552,679	\$ 552,679

SOUTHERN OREGON LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Beneficial Interest in Charitable Trust

Fair value of the charitable trust is based on the assets in the trust less the present value of the estimated future cash payments to the current beneficiaries using a rate of return of 2.391%. Due to the nature of the valuation inputs the interest is classified within Level 3 of the hierarchy.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated statements of financial position using significant unobservable (Level 3) inputs:

	Beneficial Interest in Charitable Trusts
Balance January 1, 2019	\$ 419,023
Net change in fair value	133,656
Balance December 31, 2019	\$ 552,679

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements.

	Fair Value at 12/31/19	Valuation Technique	Unobservable Inputs	(Weighted- Average)
Beneficial interest in charitable trusts	\$ 552,679	Fair value of underlying investments	Discounted cash flow analysis of expected income	Not available

NOTE 14 – RETIREMENT PLAN

In September 2003, the Conservancy instituted a Savings Incentive Match Plan (SIMPLE) IRA retirement plan covering all eligible employees. Employees who participate may elect to make salary deferral contributions to the Plan up to 100% of the employees' eligible payroll subject to annual Internal Revenue Code maximum limitations. The Conservancy may make a discretionary contribution to the entire qualified employee pool, in accordance with the Plan. For the year ended December 31, 2019 there was \$9,618 of contributions made by the Conservancy to the SIMPLE plan.

NOTE 15 – RELATED PARTY TRANSACTIONS

The Conservancy recorded \$119,818 in contribution revenue from Board members in the fiscal year ended December 31, 2019.

SOUTHERN OREGON LAND CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 16 – COMMITMENTS AND CONTINGENCIES CONSERVATION EASEMENTS

The Land Conservancy has agreed to undertake future monitoring and enforcement activities to ensure compliance with the terms and conditions of conservation easements it holds outright and through the terms of the grants. At this time no reasonable estimate can be made for this contingency and subsequently, no adjustment has been recorded in these financial statements for these future activities. From time to time, the Conservancy is called upon to expend resources to defend the easements.

NOTE 17 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Conservancy recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that did not exist at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. The Conservancy's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the balance sheet date but arose after the balance sheet date and before financial statements are available to be issued.

The Conservancy has evaluated subsequent events through June 15, 2020 which is the date the financial statements were available to be issued. Based upon management's knowledge there were no additional events and/or transactions that required recognition and disclosure in the financial statement except as follows:

On May 1, 2020, the Conservancy's office space lease was extended for an additional five years at \$775 per month, however, beginning November 1, 2020, monthly office lease payment terms will be renegotiated.

On May 11, 2020, the Conservancy signed a contract to sell the held for sale property known as Sourdough Gulch Ranch in Wolf Creek, Oregon. The signed sales contract stipulated a sales price of \$1,250,000 with an estimated closing date of July 9, 2020.

Subsequent to December 31, 2019, on March 13, 2020, the President of the United States declared a State of Emergency associated with the COVID-19 global pandemic. As of the date of these financial statements management has determined the impact to the Conservancy will be short term in nature and it believes adequate liquidity exists for the Conservancy to endure the upstream and downstream backlog that will develop as a result of the perceived slowdown in economic activity. The impact of the State of Emergency and full ramifications to the economy and the Conservancy are not determinable at this time.