

**SOUTHERN OREGON LAND  
CONSERVANCY, INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2020**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**



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

**SOUTHERN OREGON LAND CONSERVANCY, INC.**

**Year Ended December 31, 2020**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Southern Oregon Land Conservancy, Inc., which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Oregon Land Conservancy, Inc. as of December 31, 2020, 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.

A handwritten signature in black ink that reads "Aria Bettinger". The signature is written in a cursive style.

Aria Bettinger, CPA, Partner  
Medford, Oregon  
September 15, 2021

**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2020**

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents	\$	403,095
Investments		3,570,481
Pledges receivable		1,500
Grants receivable		42,962
Bequests receivable		20,000
Prepaid expenses		9,432
		9,432

Total current assets		4,047,470
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**NON-CURRENT ASSETS:**

Note receivable and associated accrued interest		13,367
Pledges receivable		2,312
Property and equipment, net of accumulated depreciation		88,742
Conservation lands		2,363,466
Conservation easements		3,321,700
Beneficial interest in charitable trust		719,994
Endowments		706,124
		706,124

Total non-current assets		7,215,705
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<b>TOTAL ASSETS</b>	<b>\$</b>	<b>11,263,175</b>
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**LIABILITIES AND NET ASSETS**

**LIABILITIES:**

Accounts payable and other liabilities	\$	3,438
Accrued payroll related expenses		36,159
		36,159

Total liabilities		39,597
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**NET ASSETS:**

Without donor restrictions		8,665,646
With donor restrictions		2,557,932
		2,557,932

Total net assets		11,223,578
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>11,263,175</b>
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**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES AND SUPPORT:</b>			
Member dues	\$ 241,994	\$ -	\$ 241,994
Contributions	128,402	29,136	157,538
Special events	200	-	200
Grants	98,066	67,490	165,556
Investment income, net	38,787	6,891	45,678
Net realized and unrealized gain on investments	225,013	57,027	282,040
Change in beneficial interest in trust	-	167,315	167,315
Gain (loss) on sale of property held for sale	(78,392)	-	(78,392)
Miscellaneous	18,604	-	18,604
	<u>672,674</u>	<u>327,859</u>	<u>1,000,533</u>
Total revenues and support before net assets released from restriction			
	<u>672,674</u>	<u>327,859</u>	<u>1,000,533</u>
Net assets released from restrictions	<u>130,026</u>	<u>(130,026)</u>	<u>-</u>
Total revenues and support	<u>802,700</u>	<u>197,833</u>	<u>1,000,533</u>
<b>EXPENSES:</b>			
Program expenses:			
Stewardship	148,251	-	148,251
Land protection	161,148	-	161,148
Outreach and education	163,900	-	163,900
	<u>473,299</u>	<u>-</u>	<u>473,299</u>
Total program expenses			
Support services expenses:			
Fundraising	64,458	-	64,458
Management and general	103,134	-	103,134
	<u>167,592</u>	<u>-</u>	<u>167,592</u>
Total support services expense			
	<u>167,592</u>	<u>-</u>	<u>167,592</u>
Total expenses	<u>640,891</u>	<u>-</u>	<u>640,891</u>
Operating income (loss):	<u>161,809</u>	<u>-</u>	<u>359,642</u>
<b>NONOPERATING INCOME (LOSS)</b>			
Governmental grant (paycheck protection program)	75,000	-	75,000
	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Total nonoperating income (loss):			
	<u>75,000</u>	<u>-</u>	<u>75,000</u>
<b>CHANGE IN NET ASSETS</b>	236,809	197,833	434,642
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>8,428,837</u>	<u>2,360,099</u>	<u>10,788,936</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 8,665,646</u>	<u>\$ 2,557,932</u>	<u>\$ 11,223,578</u>

See accompanying notes to financial statements.

**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2020**

	<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>	
<b>Operating Expenses</b>								
Salaries	\$ 92,265	\$ 100,292	\$ 100,613	\$ 293,170	\$ 40,117	\$ 64,187	\$ 104,304	\$ 397,474
Payroll taxes and benefits	21,458	23,324	24,257	69,039	9,330	14,928	24,258	93,297
	113,723	123,616	124,870	362,209	49,447	79,115	128,562	490,771
Professional services	4,861	5,284	5,495	15,640	2,113	3,382	5,495	21,135
Dues, memberships and subscriptions	3,607	3,921	4,077	11,605	1,568	2,509	4,077	15,682
Advertising	1,003	1,091	1,134	3,228	436	698	1,134	4,362
Printing and postage	4,521	4,914	5,111	14,546	1,966	3,145	5,111	19,657
Finance charges	469	509	530	1,508	204	326	530	2,038
Miscellaneous	1,856	2,017	2,098	5,971	807	1,291	2,098	8,069
Accounting	4,930	5,359	5,573	15,862	2,143	3,429	5,572	21,434
Travel	1,714	1,863	1,937	5,514	745	1,192	1,937	7,451
Insurance	988	1,074	1,116	3,178	429	687	1,116	4,294
Occupancy	2,139	2,325	2,418	6,882	930	1,488	2,418	9,300
Utilities and telecommunications	1,513	1,645	1,710	4,868	658	1,052	1,710	6,578
Supplies	1,032	1,122	1,167	3,321	449	718	1,167	4,488
Property taxes	1,457	1,584	1,647	4,688	634	1,014	1,648	6,336
Depreciation expense	934	1,015	1,056	3,005	406	650	1,056	4,061
Building and grounds improvements	3,504	3,809	3,961	11,274	1,523	2,438	3,961	15,235
<b>Total Expenses</b>	<u>\$ 148,251</u>	<u>\$ 161,148</u>	<u>\$ 163,900</u>	<u>\$ 473,299</u>	<u>\$ 64,458</u>	<u>\$ 103,134</u>	<u>\$ 167,592</u>	<u>\$ 640,891</u>

See accompanying notes to financial statements.

**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$	434,642
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation		4,061
Reinvested income on investments, net of fees		(45,678)
Realized and unrealized gains on investments		(282,040)
Gain on beneficial interest in charitable trust		(167,315)
Loss on property held for sale		78,392
Stock contributions		(9,039)
Proceeds from sale of property held for sale		1,250,000
(Increase) decrease in:		
Pledges receivable		1,867
Bequests receivable		40,000
Prepaid expenses		(835)
Grants receivable		(42,962)
Increase (decrease) in:		
Accounts payable		(18,075)
Accrued payroll expenses		12,763
		1,255,781
Net cash provided(used) by operating activities		1,255,781

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of property and equipment		(132,208)
Purchase of property held for sale		(132,208)
Purchase of investments		(1,226,271)
Proceeds from sales of investments		254,379
		(1,104,100)
Net cash provided(used) by investing activities		(1,104,100)

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 151,681

**CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR** 251,414

**CASH AND CASH EQUIVALENTS - END OF YEAR** \$ 403,095



**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

**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 Statement 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, 2020**

**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. Grants with donor restrictions are reported as an increase in net assets without donor restrictions if the funds are received and released in the same reporting period in which the grant is recognized.

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 ASU 958 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 ASU are not met, or the valuation of such services cannot be reasonably determined. The amount recognized as revenue and expense for contributed materials and services was \$12,358 for the year ended December 31, 2020.

**Future Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02 (*Topic 842*), and has subsequently been amended by multiple ASU's. ASU 2016-02 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). ASU 2016-02 requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease or accounting purposes is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to the current guidance in ASC 840 "Leases" ("Topic 840"). ASU 2016-02 requires lessors to account for lease using an approach that is substantially equivalent to Topic 840 for sales-type leases, direct financing leases and operating leases. ASU 2016-02 was codified as ASC 842 and will supersede ASC 840. ASU 2016-02 is effective on January 1, 2022 for the Conservancy.

**Advertising**

The Conservancy expenses advertising costs as incurred. Advertising expense for the year ended December 31, 2020 was \$4,362.

**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, the Conservancy allocates all costs among the programs and supporting services benefited based on the relative time spent by employees of the Conservancy providing those services. Expenses that can be identified with a specific program are not significant in nature and therefore are included in the overall allocation for expediency.

**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Functional Allocation of Expenses (continued)**

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.

Support services include the following:

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.

**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.

**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Conservation Lands and Easements (continued)**

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 2 conservation lands totaling 383 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 69 easements totaling 11,053 acres of land.

Conservation easements, by their very nature, do not generate material amounts of cash inflow annually. The Conservancy records conservation easements at appraised value if available. Donated conservation easements that have no appraised value are not recorded as an asset.

**Compensated Absences**

It is the Conservancy's policy to permit employees to accumulate earned but unused Personal Time Off (PTO), up to a maximum of 240 hours. All unused PTO is accrued when earned. A liability is recorded in the Statement of Financial Position and is the amount of vested PTO earned but unused at year end. The liability is reduced as employees use the PTO or terminate.

**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 that are available to meet cash needs for general expenditures within one year as of December 31, 2020:

Financial assets:		
Cash and cash equivalents	\$	403,095
Pledge payments available for operations		1,500
Grants		42,962
Bequests		20,000
Investments		<u>2,099,994</u>
 Total financial assets available within one year	 \$	 <u><u>2,567,551</u></u>

Availability of a financial asset may be affected by (1) its nature, (2) external limits imposed by donors, grantors, laws, and contracts with others, and (3) internal limits imposed by governing board decisions. The Conservancy's goal is generally to maintain financial assets available to meet 6 months of general expenditures (operating expenses). Utilizing the 2020 statement of activities, 6 months of operating expenses approximates \$320,000.

**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

**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, 2020 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 uninsured deposits of \$139,801 at December 31, 2020.

**NOTE 4 – INVESTMENTS**

The Conservancy maintains its investments in a national institution with offices located in Southern Oregon. At December 31, 2020, 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 \$2,785,447 at December 31, 2020. The Conservancy had \$741,147 in uninsured cash accounts held by investment advisors at December 31, 2020.

**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, 2020, the Conservancy's pledges receivable consisted of the following:

Due within one year	\$	1,500
Due in one to five years		2,500
		<hr/> 4,000
Less: unamortized discount		(188)
		<hr/> <hr/> \$ 3,812

Discount rate of 0.22 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, 2020.

**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, 2020 are valued at \$1,151,139. 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 1.672% is \$719,994 at December 31, 2020.

**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

**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. This asset was recorded at fair value on the date of donation and the fair value of \$1,196,184 was determined by appraisal at the time of donation. On July 27, 2020, the Conservancy sold the property held for sale for \$1,250,000. The Conservancy spent \$132,208 on costs adding to the value of the property which resulted in a loss on the property held for sale of \$78,392 recorded in the 2020 Statement of Activities.

**NOTE 9 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2020 consisted of the following:

Building on conservation land and improvements	\$	96,572
Furniture and equipment		14,511
Totals		111,083
Less: accumulated depreciation		(22,341)
Property and equipment, net	\$	88,742

**NOTE 10 – OPERATING 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. The lease was extended to April 30, 2025 with the same effective terms. Total lease expense under this contract for the year ended December 31, 2020 was \$9,300. Future required minimum lease payments are as follows:

Year ended December 31:

2021	\$	9,300
2022		9,300
2023		9,300
2024		9,300
2025		3,100
	\$	40,300

**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

**NOTE 11 – NET ASSETS**

**Donor Restricted Net Assets**

Net assets with donor restrictions are restricted for the following purposes at December 31, 2020:

Subject to expenditure for a specific purpose:	
Stewardship	\$ 345,688
Rogue River preserve fund	741,917
Land protection	41,209
Outreach	<u>3,000</u>
Total subject to expenditure for a specific purpose	<u>1,131,814</u>
Time restricted:	
Beneficial interest in trust	<u>719,994</u>
Total subject to time restriction	<u>719,994</u>
Not subject to expenditure:	
Wildlands Endowment Fund	501,124
Southern Oregon Land Conservancy Endowment Fund	<u>205,000</u>
Total not subject to expenditure	<u>706,124</u>
Total net assets with restrictions	<u><u>\$ 2,557,932</u></u>

**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, 2020 are as follows:

Purpose restrictions accomplished:	
Stewardship	\$ 65,512
Land protection	33,442
Outreach	<u>31,072</u>
Total released from restriction	<u><u>\$ 130,026</u></u>

**NOTE 12 – 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.

**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

**NOTE 12 – ENDOWMENT FUNDS (CONTINUED)**

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

The composition of net assets by type of endowment fund at December 31, 2020 was:

	Without Donor Restrictions	With Donor Restrictions	Total
Investments by type of fund:			
Donor-restricted endowment funds			
Historical gift value	\$ -	\$ 524,912	\$ 524,912
Appreciation/ Depreciation	-	181,212	181,212
Board-designated			
Funds functioning as endowment	874,307	-	874,307
Total endowment funds	\$ 874,307	\$ 706,124	\$ 1,580,431



**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
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**NOTE 12 – ENDOWMENT FUNDS (CONTINUED)**

Changes in endowment net assets for the year ended December 31, 2020 was:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 569,738	\$ 642,206	\$ 1,211,944
Investment return			
Investment income, net of fees	31,991	6,891	38,882
Net realized and unrealized gains	216,869	57,027	273,896
Total investment return	248,860	63,918	312,778
Endowment payout	(8,481)	-	(8,481)
Investment return, net of payout	240,379	63,918	304,297
Contributions and other income	64,190	-	64,190
Endowment net assets, end of year	<u>\$ 874,307</u>	<u>\$ 706,124</u>	<u>\$ 1,580,431</u>

**NOTE 13 – 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, 2020, the costs of conducting these activities included a total of \$639,631 of joint costs, which are not specifically attributable to particular components of the activities joint costs. The joint costs were allocated as follows:

Program	\$ 472,367
Fundraising	64,332
Management and general	<u>102,932</u>
	<u>\$ 639,631</u>

**NOTE 14 – 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.

**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
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**NOTE 14 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash & cash alternatives	\$ 1,060,308	\$ -	\$ -	\$ 1,060,308
Equity ETF & mutual funds	1,721,871	-	-	1,721,871
Fixed income ETF & mutual funds	1,148,010	-	-	1,148,010
Bonds	148,206	-	-	148,206
Certificates of deposit	-	198,210	-	198,210
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total investments	<u>\$ 4,078,395</u>	<u>\$ 198,210</u>	<u>\$ -</u>	<u>\$ 4,276,605</u>
Beneficial interest in trusts:				
Beneficial interest in charitable trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 719,994</u>	<u>\$ 719,994</u>

**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 1.672%. 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 statements of financial position using significant unobservable (Level 3) inputs:

	<u>Beneficial Interest in Charitable Trusts</u>
Balance January 1, 2020	\$ 552,679
Net change in fair value	<u>167,315</u>
Balance December 31, 2020	<u>\$ 719,994</u>

**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
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**NOTE 14 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**Unobservable (Level 3) Inputs**

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

	Fair Value at 12/31/20	Valuation Technique	Unobservable Inputs	(Weighted- Average)
Beneficial interest in charitable trusts	\$ 719,994	Fair value of underlying investments	Discounted cash flow analysis of expected income	Not available

**NOTE 15 – PAYCHECK PROTECTION PROGRAM**

The Paycheck Protection Program (“PPP”), which was established under the Coronavirus Aid, Relief and Economic Security Act (“the CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses. PPP Loans mature 24 months from the date of the first disbursement of proceeds and accrue interest at a fixed interest rate of 1% per annum. Additionally, recipients are permitted to prepay or partially prepay the PPP loans at any time with no prepayment penalties. Under the terms of the CARES Act, PPP loan recipients can apply for, and be granted, forgiveness for all or a portion of loans granted under the PPP. Such forgiveness will be determined, subject to limitations and ongoing rulemaking by the Small Business Administration (SBA), based on the use of loan proceeds for payroll costs and mortgage interest, rent or utility costs and the maintenance of employee and compensation levels. Additionally, recipients are permitted to prepay or partially prepay the PPP loans at any time with no prepayment penalties.

On April 8, 2020, the Conservancy received PPP proceeds of \$75,000 after submitting the necessary information to its bank (intermediary) and the SBA. The Conservancy applied for forgiveness and provided all necessary supporting qualified expense information to its bank (intermediary) which in turn was submitted to the SBA. The Conservancy was notified of forgiveness on May 11, 2021 by the SBA.

As the initial legal form of a PPP loan is debt, an entity may account for funds received as debt in accordance with ASC 470, Debt. However, an entity that expects to meet the PPP’s eligibility and loan forgiveness criteria may elect to account for the proceeds as akin to a donor imposed conditional grant. A donor-imposed condition must have both: a) one or more barriers that must be overcome before a recipient is entitled to the assets transferred and b) a right of return to the contributor (SBA) for assets transferred.

A donor-imposed condition existed within the CARES Act and promissory note that requires all participants in the PPP program must overcome the barriers associated with the use of such proceeds. If such proceeds are not utilized in accordance with the PPP, they are required to be paid in accordance with the promissory note and terms associated with the CARES Act. The Conservancy treated the proceeds as a conditional contribution in which all such conditions were met before December 31, 2020. As a result, the Conservancy recognized \$75,000 in federal stimulus revenue for the year ended December 31, 2020.

**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
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**NOTE 16 – 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, 2020 there was \$10,011 of contributions made by the Conservancy to the SIMPLE plan.

**NOTE 17 – RELATED PARTY TRANSACTIONS**

The Conservancy recorded \$88,163 in contribution revenue from Board members in the fiscal year ended December 31, 2020.

**NOTE 18 – COMMITMENTS AND CONTINGENCIES RELATED TO 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 19 – UNCERTAINTIES**

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, the impact of the State of Emergency and full ramifications to the economy and the Conservancy are not determinable.

**NOTE 20 – SUBSEQUENT EVENTS**

The Conservancy has evaluated subsequent events through September 15, 2021 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 February 19, 2021, the Conservancy received a second tranche of PPP funding totaling \$106,000. The Conservancy is using such funds to pay qualifying expenses such as payroll. Consistent with the initial tranche of PPP funding, the legal form of the PPP is debt. The Conservancy was notified of forgiveness on July 13, 2021 by the SBA.