

**SOUTHERN OREGON LAND  
CONSERVANCY, INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2021**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**



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

**SOUTHERN OREGON LAND CONSERVANCY, INC.**

**Year Ended December 31, 2021**

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Southern Oregon Land Conservancy, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2021, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, 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 (GAAS). 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 the Organization 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 these 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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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.

In performing an audit in accordance with GAAS, 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.



Aria Bettinger, CPA, Partner  
Medford, Oregon  
June 21, 2022

**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2021**

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents	\$ 529,540
Investments	3,841,924
Pledges receivable	1,000
Grants receivable	26,639
Prepaid expenses	4,184

Total current assets 4,403,287

**NON-CURRENT ASSETS:**

Note receivable and associated accrued interest	13,742
Property and equipment, net of accumulated depreciation	93,455
Conservation lands	3,269,996
Conservation easements	3,321,700
Beneficial interest in charitable trust	747,364
Endowments	772,832

Total non-current assets 8,219,089

**TOTAL ASSETS** \$ 12,622,376

**LIABILITIES AND NET ASSETS**

**LIABILITIES:**

Accounts payable and other liabilities	\$ 17,888
Accrued payroll related expenses	57,205

Total liabilities 75,093

**NET ASSETS:**

Without donor restrictions	9,965,004
With donor restrictions	2,582,279

Total net assets 12,547,283

**TOTAL LIABILITIES AND NET ASSETS** \$ 12,622,376

**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES AND SUPPORT:</b>			
Member dues	\$ 270,883	\$ -	\$ 270,883
Contributions	1,060,340	51,948	1,112,288
Special events	52,384	-	52,384
Grants	46,691	15,000	61,691
Investment income, net	53,010	7,142	60,152
Net realized and unrealized gain on investments	335,799	69,424	405,223
Change in beneficial interest in trust	-	27,370	27,370
Miscellaneous	11,876	-	11,876
	<u>1,830,983</u>	<u>170,884</u>	<u>2,001,867</u>
Total revenues and support before net assets released from restriction			
	<u>1,830,983</u>	<u>170,884</u>	<u>2,001,867</u>
Net assets released from restrictions	<u>146,537</u>	<u>(146,537)</u>	<u>-</u>
Total revenues and support	<u>1,977,520</u>	<u>24,347</u>	<u>2,001,867</u>
<b>EXPENSES:</b>			
Program expenses:			
Stewardship	180,356	-	180,356
Land protection	188,197	-	188,197
Outreach and education	196,044	-	196,044
	<u>564,597</u>	<u>-</u>	<u>564,597</u>
Total program expenses			
	<u>564,597</u>	<u>-</u>	<u>564,597</u>
Support services expenses:			
Fundraising	148,991	-	148,991
Management and general	70,574	-	70,574
	<u>219,565</u>	<u>-</u>	<u>219,565</u>
Total support services expense			
	<u>219,565</u>	<u>-</u>	<u>219,565</u>
Total expenses	<u>784,162</u>	<u>-</u>	<u>784,162</u>
Operating income (loss):	<u>1,193,358</u>	<u>-</u>	<u>1,217,705</u>
<b>NONOPERATING INCOME (LOSS)</b>			
Governmental grant (paycheck protection program)	106,000	-	106,000
	<u>106,000</u>	<u>-</u>	<u>106,000</u>
Total nonoperating income (loss):			
	<u>106,000</u>	<u>-</u>	<u>106,000</u>
<b>CHANGE IN NET ASSETS</b>	1,299,358	24,347	1,323,705
<b>NET ASSETS - BEGINNING OF YEAR</b>	8,665,646	2,557,932	11,223,578
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 9,965,004</u>	<u>\$ 2,582,279</u>	<u>\$ 12,547,283</u>

See accompanying notes to financial statements.

**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2021**

	<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	\$ 96,503	\$ 100,699	\$ 104,896	\$ 302,098	\$ 79,720	\$ 37,762	\$ 117,482	\$ 419,580
Payroll taxes and benefits	29,297	30,570	31,844	91,711	24,201	11,463	35,664	127,375
	125,800	131,269	136,740	393,809	103,921	49,225	153,146	546,955
Professional services	13,550	14,139	14,729	42,418	11,195	5,303	16,498	58,916
Dues, memberships and subscriptions	3,828	3,994	4,161	11,983	3,162	1,498	4,660	16,643
Advertising	1,782	1,859	1,937	5,578	1,472	697	2,169	7,747
Printing and postage	5,697	5,944	6,192	17,833	4,707	2,229	6,936	24,769
Finance charges	608	634	661	1,903	502	238	740	2,643
Miscellaneous	4,944	5,159	5,374	15,477	4,085	1,935	6,020	21,497
Accounting	6,964	7,267	7,570	21,801	5,753	2,725	8,478	30,279
Travel	1,420	1,482	1,544	4,446	1,172	555	1,727	6,173
Insurance	3,888	4,057	4,227	12,172	3,212	1,522	4,734	16,906
Occupancy	2,570	2,682	2,794	8,046	2,123	1,006	3,129	11,175
Utilities and telecommunications	1,951	2,036	2,121	6,108	1,612	764	2,376	8,484
Supplies	753	785	818	2,356	622	294	916	3,272
Property taxes	2,993	3,123	3,253	9,369	2,472	1,171	3,643	13,012
Depreciation expense	986	1,029	1,072	3,087	814	386	1,200	4,287
Building and grounds improvements	2,622	2,738	2,851	8,211	2,167	1,026	3,193	11,404
<b>Total Expenses</b>	<u>\$ 180,356</u>	<u>\$ 188,197</u>	<u>\$ 196,044</u>	<u>\$ 564,597</u>	<u>\$ 148,991</u>	<u>\$ 70,574</u>	<u>\$ 219,565</u>	<u>\$ 784,162</u>

See accompanying notes to financial statements.

**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 1,323,705
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:	
Depreciation	4,287
Reinvested income on investments, net of fees	(60,152)
Realized and unrealized gains on investments	(405,223)
Gain on beneficial interest in charitable trust	(27,370)
Stock contributions	(23,635)
Donated property	(906,530)
Noncash forgiveness of governmental grant (paycheck protection program)	(106,000)
(Increase) decrease in:	
Pledges receivable	2,812
Bequests receivable	20,000
Prepaid expenses	5,248
Accrued interest receivable	(375)
Grants receivable	16,323
Increase (decrease) in:	
Accounts payable	14,450
Accrued payroll expenses	21,046
	(121,414)
Net cash provided(used) by operating activities	(121,414)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of investments	(300,000)
Proceeds from sales of investments	450,859
Purchase of property and equipment	(9,000)
	141,859
Net cash provided(used) by investing activities	141,859

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from governmental grant (paycheck protection program)	106,000
	106,000
Net cash provided by financing activities	106,000

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

126,445

**CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR**

403,095

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 529,540



**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**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, 2021**

**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 Statement 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 \$5,078 for the year ended December 31, 2021.

**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, 2021 was \$7,747.

**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, 2021**

**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 stated at cost, if purchased or at fair value at the date of the gift, if donated, less accumulated depreciation. Depreciation is provided in amounts sufficient to amortize the cost of the property and equipment over the estimated useful lives of the assets (ranging from five to forty years) on a straight-line basis.

The cost of accumulated depreciation of property sold, traded or retired is removed from the accounts and gains or losses are recognized in earnings. The Organization will capitalize asset(s) with an estimated useful life of greater than one year and a cost exceeding \$2,500. The cost of maintenance, repairs, and replacements of minor units of property are charged to expense as incurred.

**SOUTHERN OREGON LAND CONSERVANCY, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021**

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

**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.

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 438 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 70 easements totaling 11,269 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, 2021:

Financial assets:	
Cash and cash equivalents	\$ 529,540
Pledge payments available for operations	1,000
Grants	26,639
Investments	<u>2,538,700</u>
 Total financial assets available within one year	 <u><u>\$ 3,095,879</u></u>

**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**NOTE 2 – AVAILABILITY AND LIQUIDITY (continued)**

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 2021 statement of activities, 6 months of operating expenses approximates \$390,000.

**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, 2021 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 \$170,006 at December 31, 2021.

**NOTE 4 – INVESTMENTS**

The Conservancy maintains its investments in national institutions with offices located in Southern Oregon. At December 31, 2021, securities in each institution 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 \$4,335,329 at December 31, 2021. All of the Conservancy's cash accounts held by investment advisors were insured at December 31, 2021.

**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, 2021, the Conservancy's pledges receivable consisted of \$1,000 due in one year.

**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, 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 \$6,242 are included in note receivable and associated accrued interest at December 31, 2021.

**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, 2021 are valued at \$1,362,936. 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 2.079% is \$747,364 at December 31, 2021.

**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**NOTE 8 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2021 consisted of the following:

Building on conservation land and improvements	\$	96,572
Furniture and equipment		14,511
Vehicles		9,000
Totals		120,083
Less: accumulated depreciation		(26,628)
Property and equipment, net	\$	93,455

**NOTE 9 – 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. On October 1, 2021, the Conservancy increased the percentage of office space being leased and entered into a new lease agreement with Geos Institute. The term for the new lease is from October 1, 2021 to September 29, 2026 at \$1,400 per month. Total lease expense under this contract for the year ended December 31, 2021 was \$11,175. Future required minimum lease payments are as follows:

Year ended December 31:

2022	\$	16,800
2023		16,800
2024		16,800
2025		16,800
2026		12,600
	\$	79,800

**SOUTHERN OREGON LAND CONSERVANCY, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021**

**NOTE 10 – NET ASSETS**

**Donor Restricted Net Assets**

Net assets with donor restrictions are restricted for the following purposes at December 31, 2021:

Subject to expenditure for a specific purpose:	
Stewardship	\$ 331,359
Rogue River preserve fund	705,261
Land protection	<u>25,463</u>
Total subject to expenditure for a specific purpose	<u>1,062,083</u>
Time restricted:	
Beneficial interest in trust	<u>747,364</u>
Total subject to time restriction	<u>747,364</u>
Not subject to expenditure:	
Wildlands Endowment Fund	567,832
Southern Oregon Land Conservancy Endowment Fund	<u>205,000</u>
Total not subject to expenditure	<u>772,832</u>
Total net assets with restrictions	<u><u>\$ 2,582,279</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, 2021 are as follows:

Purpose restrictions accomplished:	
Stewardship	\$ 112,791
Land protection	30,746
Outreach	<u>3,000</u>
Total released from restriction	<u><u>\$ 146,537</u></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.

**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**NOTE 11 – 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, 2021 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	-	247,920	247,920
Board-designated			
Funds functioning as endowment	1,461,938	-	1,461,938
Total endowment funds	\$ 1,461,938	\$ 772,832	\$ 2,234,770



**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**NOTE 11 – ENDOWMENT FUNDS (continued)**

Changes in endowment net assets for the year ended December 31, 2021 was:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 874,307	\$ 706,124	\$ 1,580,431
Investment return			
Investment income, net of fees	39,346	7,142	46,488
Net realized and unrealized gains	291,276	69,424	360,700
Total investment return	330,622	76,566	407,188
Contributions and other income	315,373	-	315,373
Appropriation of endowment assets for expenditure	(58,364)	(9,858)	(68,222)
Endowment net assets, end of year	<u>\$ 1,461,938</u>	<u>\$ 772,832</u>	<u>\$ 2,234,770</u>

**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, 2021, the costs of conducting these activities included a total of \$784,162 of joint costs, which are not specifically attributable to particular components of the activities joint costs. The joint costs were allocated as follows:

Program	\$ 564,597
Fundraising	148,991
Management and general	<u>70,574</u>
	<u>\$ 784,162</u>

**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.

**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**NOTE 13 – 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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash & cash alternatives	\$ 54,939	\$ -	\$ -	\$ 54,939
Equity ETF & mutual funds	2,688,552	-	-	2,688,552
Fixed income ETF & mutual funds	1,727,459	-	-	1,727,459
Bonds	-	143,806	-	143,806
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total investments	<u>\$ 4,470,950</u>	<u>\$ 143,806</u>	<u>\$ -</u>	<u>\$ 4,614,756</u>
Beneficial interest in trusts:				
Beneficial interest in charitable trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 747,364</u>	<u>\$ 747,364</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 2.079%. 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>Charitable Trusts</u>
Balance January 1, 2021	\$ 719,994
Net change in fair value	<u>27,370</u>
Balance December 31, 2021	<u>\$ 747,364</u>

**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2021**

**NOTE 13 – 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 12/31/21	Valuation Technique	Unobservable Inputs	(Weighted- Average)
Beneficial interest in charitable trusts	\$ 747,364	Fair value of underlying investments	Discounted cash flow analysis of expected income	Not available

**NOTE 14 – 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 60 months from the date of the first disbursement of proceeds and accrue interest at a fixed interest rate of 1% per annum. 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 February 14, 2021, the Conservancy received PPP proceeds of \$106,000 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 July 13, 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 required all participants in the PPP program must overcome the barriers associated with the use of such proceeds. If such proceeds were not utilized in accordance with the PPP, they were 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, 2021. As a result, the Conservancy recognized \$106,000 in federal stimulus revenue recorded in non-operating income for the year ended December 31, 2021.

**SOUTHERN OREGON LAND CONSERVANCY, INC.**  
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**NOTE 15 – 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, 2021 there were \$10,657 of contributions made by the Conservancy to the SIMPLE plan.

**NOTE 16 – RELATED PARTY TRANSACTIONS**

The Conservancy recorded \$120,719 in contribution revenue from Board Members and Board Member associated organizations in the fiscal year ended December 31, 2021.

**NOTE 17 – COMMITMENTS AND CONTINGENCIES RELATED TO CONSERVATION EASEMENTS**

The 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 18 – UNCERTAINTIES**

The Conservancy continues to evaluate and monitor the upstream and downstream impact of COVID-19 (global pandemic). The Conservancy expects supply chains, certain labor issues, and other regulations to persist through 2022.

**NOTE 19 – SUBSEQUENT EVENTS**

The Conservancy has evaluated subsequent events through June 21, 2022 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:

Subsequent to December 31, 2021 the Conservancy entered into a Memorandum of Understanding (MOU) with PacifiCorp to implement a habitat mitigation proposal at Pompadour Bluff and the Rogue River Preserve. In order to fulfill the compensatory mitigation needs of the Habitat Mitigation Plan, which is required for compliance with the Oregon Department of Energy's Energy Facility Siting Council, PacificCorp provided \$312,100 ("the Mitigation Fund") to the Conservancy.

Subsequent to December 31, 2021, the Conservancy entered into a property transfer agreement with The Nature Conservancy (TNC). TNC donated two properties, the Agate Desert Preserve and Whetstone Savanna Field Griffith Parcel, and related easement interests located in Jackson County, Oregon to the Conservancy along with related Stewardship Endowments and funding agreements. TNC provided funding in the amount of \$1,250,000 to establish a true endowment, the total returns of which shall be used for stewardship of the donated properties, including long-term monitoring, management, enhancement, enforcement, and investment and administrative costs associated with those activities. Additionally, TNC contributed a grant of \$60,000 towards the Conservancy's first year management of the properties and conservation easements.