

**McKENZIE RIVER GATHERING FOUNDATION**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2020**

**With**

**Independent Auditor's Report**

**McKENZIE RIVER GATHERING FOUNDATION**  
**JUNE 30, 2020**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
McKenzie River Gathering Foundation  
Portland, Oregon

**Report on the Financial Statements**

We have audited the accompanying statement of financial position of McKenzie River Gathering Foundation (a not-for-profit organization) which comprise the statement of financial position as of June 30, 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 of 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 McKenzie River Gathering Foundation as of June 30, 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.

### ***Report on Summarized Comparative Information***

We have previously audited McKenzie River Gathering Foundation's financial statements as of and for the year ended June 30, 2019, and our report dated September 16, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Richman & Associates, LLC*

Portland, Oregon  
December 3, 2020

**McKENZIE RIVER GATHERING FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2020**  
**(With comparative amounts for 2019)**

	<b>2020</b>	<b>2019</b>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 1,862,232	\$ 1,325,505
Investments	10,236,394	9,435,109
Pledges and grants receivable	50,000	200
Property and equipment	-	713
Other assets	22,201	13,117
<b>TOTAL ASSETS</b>	<b><u>\$ 12,170,827</u></b>	<b><u>\$ 10,774,644</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES:</b>		
Grants payable	\$ 35,000	\$ 2,000
Workplace giving designations payable	7,503	5,117
Accounts and other payables	67,965	44,532
Paycheck Protection Program advance	75,792	-
<b>Total Liabilities</b>	<b><u>186,260</u></b>	<b><u>51,649</u></b>
<b>NET ASSETS:</b>		
Without donor restrictions:		
Undesignated	351,948	161,642
Designated by the Board	1,939,337	2,256,424
Net investment in property and equipment	-	713
<b>Total net assets without donor restrictions</b>	<b><u>2,291,285</u></b>	<b><u>2,418,779</u></b>
With donor restrictions:		
Purpose restricted funds	686,658	176,080
Restricted for use in future periods	30,000	-
Donor restricted endowment funds	8,976,624	8,128,136
<b>Total net assets with donor restrictions</b>	<b><u>9,693,282</u></b>	<b><u>8,304,216</u></b>
<b>Total Net Assets</b>	<b><u>11,984,567</u></b>	<b><u>10,722,995</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 12,170,827</u></b>	<b><u>\$ 10,774,644</u></b>

See accompanying notes to financial statements.

**McKENZIE RIVER GATHERING FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2020**  
**(With comparative totals for 2019)**

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
			<b>2019</b>
<b>SUPPORT AND REVENUE:</b>			
Contributed support:			
Grants and contributions	\$ 823,133	\$ 2,310,420	\$ 3,133,553
Donor Advised Funds contributions	167,159	-	167,159
Indirect public contributions	17,996	-	17,996
	<u>1,008,288</u>	<u>2,310,420</u>	<u>3,318,708</u>
Special events	17,806	-	17,806
Less: Direct benefits to donors	(10,155)	-	(10,155)
	<u>7,651</u>	<u>-</u>	<u>7,886</u>
Revenue:			
Investment gains	125,029	1,305,495	1,430,524
Interest and dividends	17,629	117,513	135,142
Other revenue	5,279	-	5,279
	<u>147,937</u>	<u>1,423,008</u>	<u>1,570,945</u>
Net Assets Released From Restrictions:			
Satisfaction of purpose restrictions	1,737,006	(1,737,006)	-
Appropriations from donor restricted endowment funds	607,356	(607,356)	-
	<u>2,344,362</u>	<u>(2,344,362)</u>	<u>-</u>
Total Support and Revenue	<u>3,508,238</u>	<u>1,389,066</u>	<u>4,897,304</u>
<b>EXPENSES:</b>			
Program services	3,321,576	-	3,321,576
Administration	158,729	-	158,729
Fund raising	155,427	-	155,427
Total Expenses	<u>3,635,732</u>	<u>-</u>	<u>3,635,732</u>
<b>CHANGE IN NET ASSETS</b>	<u>(127,494)</u>	<u>1,389,066</u>	<u>1,261,572</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>2,418,779</u>	<u>8,304,216</u>	<u>10,722,995</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 2,291,285</u>	<u>\$ 9,693,282</u>	<u>\$ 11,984,567</u>

See accompanying notes to financial statements.

**McKENZIE RIVER GATHERING FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year ended June 30, 2020**  
**(With comparative totals for 2019)**

	2020						2019
	Program Services	Adminis- tration	Fund Raising	Direct Benefits to Donors	Shared Cost Pool	Total	
Direct Grants:							
Funding cycle grants	\$ 374,560	\$ -	\$ -	\$ -	\$ -	\$ 374,560	\$ 419,000
Travel & Critical Response grants	37,500	-	-	-	-	37,500	27,000
Micro grants	-	-	-	-	-	-	3,000
Lilla Jewel grants	30,000	-	-	-	-	30,000	5,000
Donor advised grants	543,940	-	-	-	-	543,940	149,759
COVID-19 Com. Response grants	1,131,000	-	-	-	-	1,131,000	-
Oregon Worker Relief Fund grants	750,000	-	-	-	-	750,000	-
Warm Springs grants	20,130	-	-	-	-	20,130	-
Other grants and sponsorships	-	-	-	-	-	-	20,000
	<u>2,887,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,887,130</u>	<u>623,759</u>
Personnel:							
Wages	163,929	58,011	63,321	-	97,101	382,362	290,339
Payroll taxes	14,266	4,149	6,237	-	9,769	34,421	30,321
Employee benefits	-	-	-	-	71,500	71,500	28,801
	<u>178,195</u>	<u>62,160</u>	<u>69,558</u>	<u>-</u>	<u>178,370</u>	<u>488,283</u>	<u>349,461</u>
Other:							
Professional fees	79,398	43,831	17,633	-	6,916	147,778	174,448
Office rent & other occupancy	184	-	-	-	30,280	30,464	33,506
Copying & printing	234	40	5,695	-	2,508	8,477	5,026
Office supplies	1,252	854	84	-	7,017	9,207	3,768
Telephone	98	-	-	-	1,318	1,416	3,348
Postage	419	31	241	-	922	1,613	1,744
Equipment repair & lease	-	-	-	-	3,142	3,142	3,128
Insurance	-	4,827	-	-	487	5,314	5,188
Meetings & travel	10,755	2,715	1,176	-	4,104	18,750	23,750
Books & staff development	3,355	1,000	204	-	502	5,061	1,410
Event expense	3,965	-	300	10,155	-	14,420	41,545
Miscellaneous	17,592	3,242	1,366	-	85	22,285	13,826
Workplace giving costs	-	-	1,834	-	-	1,834	831
Depreciation	-	-	-	-	713	713	1,719
Allocation of shared costs	138,999	40,029	57,336	-	(236,364)	-	-
	<u>256,251</u>	<u>96,569</u>	<u>85,869</u>	<u>10,155</u>	<u>(178,370)</u>	<u>270,474</u>	<u>313,237</u>
Total Expenses	<u>\$ 3,321,576</u>	<u>\$ 158,729</u>	<u>\$ 155,427</u>	<u>\$ 10,155</u>	<u>\$ -</u>	<u>\$ 3,645,887</u>	<u>\$ 1,286,457</u>

See accompanying notes to financial statements.

**McKENZIE RIVER GATHERING FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2020**  
**(With comparative totals for 2019)**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from grantors, donors and others	\$ 3,265,926	\$ 913,874
Interest and dividends received	135,142	153,918
Cash received from the Paycheck Protection Program	75,792	-
Cash paid to grantees	(2,858,513)	(762,243)
Cash paid to suppliers and employees	(743,695)	(657,933)
Net cash provided by (used in) operating activities	<u>(125,348)</u>	<u>(352,384)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	824,895	491,443
Purchases of investments	(195,656)	(706,180)
Purchases of property and equipment	-	-
Net cash provided by (used in) investing activities	<u>629,239</u>	<u>(214,737)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions to donor restricted endowment funds	<u>32,836</u>	<u>334,194</u>
Net cash provided by (used in) investing activities	<u>32,836</u>	<u>334,194</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	536,727	(232,927)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,325,505</u>	<u>1,558,432</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 1,862,232</u>	<u>\$ 1,325,505</u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
Stock donations simultaneously received and liquidated	\$ 136,449	\$ 89,911
Investments donated to donor-restricted endowment funds	-	4,145,533

See accompanying notes to financial statements.



**McKENZIE RIVER GATHERING FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**NOTE 1 – ORGANIZATION**

Since 1976, McKenzie River Gathering Foundation (MRG) has funded grassroots social justice organizing in Oregon through leveraging support from a community of progressive donors and activist-led grantmaking. MRG's funding supports a broad range of social justice issues, including LGBTQ rights, economic justice, environmental protection, racial equity, international solidarity, and human rights. MRG grantees are community-led groups that organize and provide resources for progressive social change in Oregon, work towards systemic change by building leadership and community power, and have little access to more traditional funding sources. Funding is received principally from contributions from the general public.

**NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

**Basis of Presentation**

The financial statements of MRG have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require MRG 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 organization. These net assets may be used at the discretion of MRG's management and the board of directors.

**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 MRG or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, MRG considers all cash and other liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

### **Concentrations of Credit Risk**

MRG deposits its cash in high credit quality institutions. From time-to-time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation or the National Credit Union Association and as such may subject MRG to concentrations of credit risk. As of June 30, 2020, deposits at two financial institutions exceeded the FDIC insured limit by \$350,479; balances at one credit union exceeded NCUA coverage by \$64,537; and \$26,705 was held in uninsured accounts. MRG's investments in money funds are uninsured by the FDIC. Certain receivables may also subject MRG to concentrations of credit risk.

### **Contributions Receivable**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue.

### **Property and Equipment**

Office equipment, furniture and leasehold improvements are carried at cost, and at market value when acquired by gift. Depreciation on equipment and furniture is provided on the straight-line basis over the estimated useful lives of the respective assets, which is from three to 5 years. Amortization of leasehold improvements is included in depreciation expense and is provided on the straight-line basis over the lease term, which is 5 years. MRG follows the practice of capitalizing all expenditures for property and equipment in excess of \$500.

### **Investments and Investment Income**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment income is reported net of related investment expenses in the statement of activities.

### **Revenue Recognition**

MRG recognizes contributions when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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.

### **In-Kind Contributions**

MRG recognizes the fair value of contributed services received if such services (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

MRG receives contributed services from volunteers who assist in a range of program activities. In accordance with FASB ASC 958-605-50, the value of such services, which MRG considers not practicable to estimate, has not been recognized in the statement of activities.

In-kind contributions of equipment and other materials are recorded when there is an objective basis upon which to value the contribution and where the contribution is an essential part of the MRG's activities.

No significant contributions of such goods or services were received during the year ended June 30, 2020.

### **Grant Expenses**

Grant expenses are recognized in the period the grant is approved, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions.

### **Advertising Expenses**

Advertising costs are charged to expense as they are incurred. Advertising expenses amounted to \$30 for the year ended June 30, 2020.

### **Functional Expenses**

The costs of providing program and supporting activities have been summarized on a functional basis in the statements of activities. Specific expenses that are readily identifiable to a single program activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Accordingly, these expenses require allocation on a reasonable basis that is consistently applied. Payroll costs are allocated based on estimates of employee time and effort. Other expenses that are allocated are maintained in a shared cost pool that includes some payroll costs, professional services, occupancy, postage, office supplies, printing and copying, telephone and internet, some travel, depreciation and miscellaneous other costs. The shared cost pool is allocated across program and supporting services functions based on the estimated employee FTE of each function.

### **Income Taxes**

MRG is a nonprofit corporation exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Any activity conducted by MRG subject to unrelated business income tax is not material; therefore, there is no provision for income taxes in the accompanying financial statements. MRG is not a private foundation.

Under generally accepted accounting principles, an organization must also evaluate its tax positions and provide for a liability for any positions that would not be considered “more likely than not” to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at June 30, 2020.

Federal exempt organization information returns for MRG are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

### **Use of Estimates**

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

### **Summarized Financial Information for 2019**

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Also, prior year summarized comparative information on the statement of functional expenses is not presented in sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the agency’s financial statements for the year ended June 30, 2019, from which the summarized information was derived. Certain reclassifications have been made to 2019 amounts to conform to the 2020 presentation.

### **Subsequent Events**

Subsequent events were evaluated through December 3, 2020, which is the date the financial statements were available to be issued.

### **Change in Accounting Principles**

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. MRG has implemented the provisions of ASU 2018-08 applicable to both contributions received and contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the organization’s implementation of ASU 2018-08.

In August 2016, FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*. This guidance is intended to reduce the diversity in practice in how certain transactions are classified in the statement of cash flows. In addition, In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. This ASU provides additional guidance related to transfers between cash and restricted cash and how entities present, in their statement of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. MRG has adopted these provisions in the accompanying financial statements.

### NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents MRG’s financial assets at June 30, 2020:

Financial assets at year-end:	
Cash and equivalents	\$ 1,862,232
Pledges and grants receivable	50,000
Investments	<u>10,236,394</u>
	12,148,626
Less: Board designated for operating reserves, endowments, and donor advised funds	<u>1,939,337</u>
Less: Donor restricted endowment funds	<u>8,976,624</u>
	<u>10,915,961</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,232,665</u>

As part of its liquidity management plan, MRG has a policy to structure its financial assets to be available as general expenditures and liabilities become due, with excess cash invested in money market accounts and certificates of deposit.

The Board-designated general operating reserve amounting to \$500,500 as of June 30, 2020 provides, at the Board’s discretion, funding for ongoing operations and strategic investment opportunities; resources to meet unplanned obligations, material uninsured losses, or other unexpected events; and to fulfill other strategic purposes or near-term needs.

In the year ended June 30, 2020, the Board set aside \$300,000 from the reserves in our FEX apartment sale fund to initiate a COVID Community Response Fund. The Fund deployed resources to community-based organizations that were at the frontlines of the COVID-19 outbreak in Oregon. Three other community-driven funds - The Chúush Fund, the Oregon Worker Relief Fund, and the Since Time Immemorial Fund were initiated in the year ended June 30, 2020 as well, which all grew as the pandemic continued. Those efforts are continuing in the year ending June 30, 2021. We anticipate further use of our reserves in the year ending June 30, 2021 (\$215,000 is budgeted) both because of the great need in our communities and because of the uncertain and modest financial projections for the economy in the coming year, and the resulting likelihood of added pressure and stress on fundraising efforts.

#### NOTE 4 – INVESTMENTS

Investments, consisting primarily of money funds, certificates of deposit, debt securities and equity securities, have been classified, for disclosure purposes, based on the hierarchy defined by FASB ASC No. 820, *Fair Value Measurements and Disclosures*. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

At June 30, 2020, all of MRG's investments are measured at fair value on a recurring basis, and consist of the following:

	Fair Value	Fair Value Measurements At Reporting Date Using	
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Long-term certificates of deposit	\$ 158,128	\$ 158,128	\$ -
Cash/bank sweep accounts	120,327	120,327	-
Fixed income	3,466,864	-	3,466,864
Equities	6,491,075	6,491,075	-
	<u>\$ 10,236,394</u>	<u>\$ 6,769,530</u>	<u>\$ 3,466,864</u>

Investment expenses amounted to \$63,437 for the year ended June 30, 2020.

#### NOTE 5 – PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable at June 30, 2020, consist of \$50,000 due within one year from 2 grantors. Management believes the receivables to be fully collectible so no allowance for uncollectible pledges and grants receivable has been established as of June 30, 2020.

#### NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2020:

Equipment	\$ 11,107
Less accumulated depreciation	(11,107)
	<u>\$ -</u>

#### NOTE 7 – ENDOWMENT FUNDS

MRG's endowment consists of 6 individual funds established for a variety of purposes. Its endowment includes both donor restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), MRG considers the following factors in making a determination to appropriate or accumulate endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of MRG, and (7) MRG's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies.* MRG has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a diversified asset mix, that includes equity and debt securities that meet MRG's criteria for socially responsible investments and that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions of 5%, while growing the funds if possible. Therefore, MRG expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

*Spending Policy.* MRG has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value at the end of the prior 16 quarters through March 31 of the fiscal year preceding the fiscal year in which the distribution is planned. In establishing this policy, MRG considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. MRG expects the current spending policy to allow its endowment funds to grow at a nominal average rate of about 3% annually. This is consistent with MRG's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of June 30, 2020 is as follows:

	With Donor Restrictions				
	Without Donor Restrictions	Original Gift	Accumulated gains & losses	Total	Total Funds as of June 30, 2020
Donor restricted endowment funds:					
General Endowment Fund	\$ -	\$ 1,257,703	\$ 850,105	\$ 2,107,808	\$ 2,107,808
Kellogg Family Fund	-	4,484,529	877,714	5,362,243	5,362,243
FEX Endowment Fund	-	621,541	392,506	1,014,047	1,014,047
Michael Smith Endowment Fund	-	116,249	89,683	205,932	205,932
Lilla Jewel Endowment Fund	-	156,592	130,002	286,594	286,594
Board-designated endowment fund	979,139	-	-	-	979,139
Total all endowment funds	\$ 979,139	\$ 6,636,614	\$ 2,340,010	\$ 8,976,624	\$ 9,955,763

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 860,319	\$ 8,128,136	\$ 8,988,455
Restricted contributions	-	32,836	32,836
Investment income	11,556	117,513	129,069
Net appreciation (depreciation)	124,856	1,305,495	1,430,351
Amounts appropriated for expenditure	(17,592)	(607,356)	(624,948)
Endowment net assets, end of year	\$ 979,139	\$ 8,976,624	\$ 9,955,763

#### **NOTE 8 – PAYCHECK PROTECTION PROGRAM ADVANCE**

The COVID-19 outbreak in the United States beginning in early 2020 has caused business disruption through mandated closings of nonessential businesses and activities. While the disruption is currently expected to be temporary and businesses are beginning to re-open, there is considerable uncertainty around the duration of the pandemic and its effects on business operations.

On April 22, 2020, MRG received loan proceeds in the amount of \$75,792 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries below certain levels during the 24-weeks after receiving the funds.

Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. MRG believes it has used the proceeds for purposes consistent with the PPP and that the Organization will meet the conditions for full forgiveness. At such time as the loan is forgiven by the Small Business Administration, it will be recognized as government grant revenue.



## NOTE 9- NET ASSETS DESIGNATED BY THE BOARD

Net assets designated by the Board are as follows as of June 30, 2020:

• General operating reserve	\$ 500,500
• FEX apartment sale proceeds operating reserve	144,972
• Donor-advised funds	314,726
• Endowment, subject to spending policy and appropriations to support MRG's grant-making activities	979,139
	<u>\$ 1,939,337</u>

## NOTE 10- NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are as follows as of June 30, 2020:

Subject to expenditure for specified purposes:

• <i>Maude T. Kernan Fund</i> -racial justice and environmental works.	\$ 20,654
• <i>L'Chaim Fund</i> -clean-up of nuclear and chemical wastes, environmental protection, and other programs that promote and protect peace and democracy and improve the human condition.	58,292
• <i>Immigrant and Refugee Fund</i>	13,950
• <i>COVID-19 Community Response Fund</i>	3,700
• <i>Oregon Worker Relief Fund</i> - supporting issues impacting immigrants and refugees, and the organizations that support them, across the state.	249,962
• <i>Since Time Immemorial Fund</i> - Tribal communities across the region when opportunity or need arises in response to COVID-19.	340,100
Total subject to expenditure for specified purposes	<u>686,658</u>

Subject to use in future periods-general operations	<u>30,000</u>
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Donor- restricted endowments subject to spending policy and appropriation, to support the following purposes:

• <i>General Endowment</i> -general operations and grants.	2,107,808
• <i>Kellogg Family Fund</i> - donor advised grants.	5,362,243
• <i>FEX Endowment Fund</i> - general operations and grants.	1,014,047
• <i>Michael Smith Fund</i> - general operations and grants.	205,932
• <i>Lila Jewel Fund</i> -lesbian and women artists and organizations.	286,594
Total donor restricted endowments	<u>8,976,624</u>

Total net assets with donor restrictions	<u>\$ 9,693,282</u>
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## NOTE 11- NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets released from restrictions are as follows for the year ended June 30, 2020:

Satisfaction of purpose restrictions:

• COVID-19 Community Response Fund	\$ 872,278
• Oregon Worker Relief Fund	761,257
• Immigrant and refugee support	17,500
• Capacity Building Initiative	11,946
• Organizational transition activities	53,738
• Tribal support	20,287
	<hr/>
	1,737,006

Appropriations from donor restricted endowment funds:

• General Endowment fund for general operations and grants	136,457
• FEX Endowment Fund for general operations and grants	21,846
• Michael Smith Fund for general operations and grants	4,086
• Kellogg Family Fund for donor advised grants	420,448
• Lilla Jewel Fund for lesbian and women artist funding	24,519
	<hr/>
	607,356

Total net assets released from restriction	<hr/> <hr/>
	\$ 2,344,362

## NOTE 12 – RETIREMENT PLAN

MRG has adopted a defined contribution retirement plan to cover essentially all employees who have been employed for one year or more. MRG's contributions to the plan amounted to \$16,700 for the year ended June 30, 2020.

## NOTE 13 – OPERATING LEASE COMMITMENTS

MRG leases its Portland office facilities on a month-to-month basis. MRG also leases a copy machine under an operating lease that expires in August 2022.

Minimum required annual payments under noncancelable leases are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 2,664
2022	2,664
2023	444
	<hr/>
Total minimum required payments	\$ 5,772

Total rent and lease expense amounted to \$30,042 for the year ended June 30, 2020.