

McKENZIE RIVER GATHERING FOUNDATION

FINANCIAL STATEMENTS

Year Ended June 30, 2019

With

Independent Auditor's Report

McKENZIE RIVER GATHERING FOUNDATION
JUNE 30, 2019

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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, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14 *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified in respect to this matter.

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, 2018, and our report dated December 21, 2018, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Richman & Associates, LLC

Portland, Oregon
September 16, 2019

McKENZIE RIVER GATHERING FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2019
(With comparative amounts for 2018)

	2019	2018
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,325,505	\$ 1,558,432
Investments	9,435,109	4,259,406
Pledges and grants receivable	200	-
Property and equipment	713	2,432
Other assets	13,117	9,119
TOTAL ASSETS	\$ 10,774,644	\$ 5,829,389
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Grants payable	\$ 2,000	\$ 132,000
Workplace giving designations payable	5,117	4,991
Accounts and other payables	44,532	45,206
Total Liabilities	51,649	182,197
NET ASSETS:		
Without donor restrictions:		
Undesignated	161,642	50,287
Designated by the Board	2,256,424	2,292,179
Net investment in property and equipment	713	2,432
Total net assets without donor restrictions	2,418,779	2,344,898
With donor restrictions:		
Purpose restricted funds	176,080	302,851
Donor restricted endowment funds	8,128,136	2,999,443
Total net assets with donor restrictions	8,304,216	3,302,294
Total Net Assets	10,722,995	5,647,192
TOTAL LIABILITIES AND NET ASSETS	\$ 10,774,644	\$ 5,829,389

See accompanying notes to financial statements.

McKENZIE RIVER GATHERING FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019
(With comparative totals for 2018)

	2019		Total	2018
	Without Donor Restrictions	With Donor Restrictions		
SUPPORT AND REVENUE:				
Contributed support:				
Grants and contributions	\$ 653,913	\$ 4,540,727	\$ 5,194,640	\$ 1,085,106
Donor Advised Funds contributions	141,195	-	141,195	127,380
Indirect public contributions	10,646	-	10,646	21,443
	<u>805,754</u>	<u>4,540,727</u>	<u>5,346,481</u>	<u>1,233,929</u>
Special events	41,528	-	41,528	-
Less: Direct benefits to donors	<u>(33,642)</u>	<u>-</u>	<u>(33,642)</u>	<u>-</u>
	<u>7,886</u>	<u>-</u>	<u>7,886</u>	<u>-</u>
Revenue:				
Investment gains	62,898	752,535	815,433	420,819
Interest and dividends	23,382	130,536	153,918	94,629
Other revenue	4,900	-	4,900	2,542
	<u>91,180</u>	<u>883,071</u>	<u>974,251</u>	<u>517,990</u>
Net Assets Released From Restrictions:				
Satisfaction of purpose restrictions	187,771	(187,771)	-	-
Appropriations from donor restricted endowment funds	234,105	(234,105)	-	-
	<u>421,876</u>	<u>(421,876)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>1,326,696</u>	<u>5,001,922</u>	<u>6,328,618</u>	<u>1,751,919</u>
EXPENSES:				
Program services:				
Grants and Grantmaking	690,676	-	690,676	869,968
Capacity Building Initiative	176,833	-	176,833	392,053
Community Education	-	-	-	64,234
	<u>867,509</u>	<u>-</u>	<u>867,509</u>	<u>1,262,021</u>
Administration	229,629	-	229,629	114,063
Fund raising	155,677	-	155,677	167,463
Total Expenses	<u>1,252,815</u>	<u>-</u>	<u>1,252,815</u>	<u>1,543,547</u>
CHANGE IN NET ASSETS	<u>73,881</u>	<u>5,001,922</u>	<u>5,075,803</u>	<u>208,372</u>
NET ASSETS AT BEGINNING OF YEAR	<u>2,344,898</u>	<u>3,302,294</u>	<u>5,647,192</u>	<u>5,503,054</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,418,779</u>	<u>\$ 8,304,216</u>	<u>\$ 10,722,995</u>	<u>\$ 5,711,426</u>

See accompanying notes to financial statements.

McKENZIE RIVER GATHERING FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2019
(With comparative totals for 2018)

	2019							Total	2018
	Program Services			Adminis- tration	Fund Raising	Direct Benefits to Donors	Shared Cost Pool		
Grants & Grantmaking	Capacity Building Initiative	Total							
Direct Grants:									
Funding cycle grants	\$ 419,000	\$ -	\$ 419,000	\$ -	\$ -	\$ -	\$ -	\$ 419,000	\$ 284,000
Travel & Critical Response grants	27,000	-	27,000	-	-	-	-	27,000	6,130
Micro grants	3,000	-	3,000	-	-	-	-	3,000	38,050
Lilla Jewel grants	5,000	-	5,000	-	-	-	-	5,000	15,000
Donor advised grants	149,759	-	149,759	-	-	-	-	149,759	344,248
Other grants and sponsorships	-	20,000	20,000	-	-	-	-	20,000	236,050
	<u>603,759</u>	<u>20,000</u>	<u>623,759</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>623,759</u>	<u>923,478</u>
Personnel:									
Wages	26,359	22,376	48,735	53,640	51,799	-	136,165	290,339	337,769
Payroll taxes	2,739	2,386	5,125	5,472	5,343	-	14,381	30,321	34,184
Employee benefits	-	-	-	-	-	-	28,801	28,801	33,552
	<u>29,098</u>	<u>24,762</u>	<u>53,860</u>	<u>59,112</u>	<u>57,142</u>	<u>-</u>	<u>179,347</u>	<u>349,461</u>	<u>405,505</u>
Other:									
Professional fees	10,210	80,239	90,449	58,560	11,065	-	12,164	172,238	166,189
Office rent & other occupancy	-	-	-	-	-	-	33,506	33,506	35,308
Copying & printing	-	271	271	37	1,656	-	3,062	5,026	4,878
Office supplies	222	625	847	223	-	-	2,698	3,768	2,215
Telephone	-	49	49	-	-	-	3,299	3,348	3,646
Postage	-	-	-	-	573	-	1,171	1,744	8,600
Equipment repair & lease	-	-	-	-	-	-	3,128	3,128	2,504
Technology	-	360	360	-	380	-	1,470	2,210	2,858
Insurance	-	-	-	4,361	-	-	827	5,188	3,408
Meetings & travel	1,782	12,009	13,791	552	1,935	-	7,472	23,750	18,637
Books & staff development	350	1,000	1,350	-	-	-	60	1,410	4,510
Event expense	593	3,491	4,084	-	2,513	33,642	1,306	41,545	7,195
Miscellaneous	2,176	-	2,176	9,100	561	-	1,989	13,826	8,926
Workplace giving costs	-	-	-	-	831	-	-	831	6,625
Depreciation	-	-	-	-	-	-	1,719	1,719	3,299
Allocation of shared costs	42,486	34,027	76,513	97,684	79,021	-	(253,218)	-	3,299
	<u>57,819</u>	<u>132,071</u>	<u>189,890</u>	<u>170,517</u>	<u>98,535</u>	<u>33,642</u>	<u>(179,347)</u>	<u>313,237</u>	<u>282,097</u>
Total Expenses	<u>\$ 690,676</u>	<u>\$ 176,833</u>	<u>\$ 867,509</u>	<u>\$ 229,629</u>	<u>\$ 155,677</u>	<u>\$ 33,642</u>	<u>\$ -</u>	<u>\$ 1,286,457</u>	<u>\$ 1,611,080</u>

See accompanying notes to financial statements.

McKENZIE RIVER GATHERING FOUNDATION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2019
(With comparative totals for 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grantors, donors and others	\$ 913,874	\$ 1,441,007
Interest and dividends received	153,918	94,629
Cash paid to grantees	(762,243)	(897,474)
Cash paid to suppliers and employees	(657,933)	(678,953)
Net cash provided by (used in) operating activities	(352,384)	(40,791)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	491,443	333,442
Purchases of investments	(706,180)	(92,161)
Purchases of property and equipment	-	(1,060)
Net cash provided by (used in) investing activities	(214,737)	240,221
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions to donor restricted endowment funds	334,194	-
Net cash provided by (used in) investing activities	334,194	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(232,927)	199,430
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,558,432	1,359,002
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,325,505	\$ 1,558,432
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Stock donations simultaneously received and liquidated	\$ 89,911	\$ 55,557
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, 2019

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.

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, 2019, deposits at two financial institutions exceed the FDIC insured limit by \$407,373 and \$159,993, respectively; certificate of deposit balances at one credit union exceed NCUA coverage by \$60,467; and \$14,590 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. Conditional promises to give are not included as support until the conditions are met.

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.

Contributions

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

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

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. In-kind contributions of materials amounted to \$7,224 during the year ended June 30, 2019.

During the year ended June 30, 2019, MRG received no in-kind contributed professional services.

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 \$49 for the year ended June 30, 2019.

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 exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. In addition, MRG qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, Income Taxes, 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 it has no uncertain tax positions that meet this criterion.

MRG files Form 990 in the U.S. federal jurisdiction. MRG is subject to examination by U.S. federal tax authorities generally for three years from the filing of a tax return.

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 2018

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, 2018, from which the summarized information was derived. Certain reclassifications have been made to 2018 amounts to conform to the 2019 presentation.

Subsequent Events

Subsequent events were evaluated through September 16, 2019, which is the date the financial statements were available to be issued.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. NAO has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. The new standards change the following aspects of NOA’s financial statements:

- The temporarily restricted net asset class has been renamed net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 3).

The changes have the following effect on net assets at June 30, 2018:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 2,344,898	\$ -
Temporarily restricted net assets	1,198,243	-
Permanently restricted net assets	2,104,051	-
Net assets without donor restrictions	-	2,344,898
Net assets with donor restrictions	-	3,302,294
Total net assets	<u>\$ 5,647,192</u>	<u>\$ 5,647,192</u>

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents MRG’s financial assets at June 30, 2019:

Financial assets at year-end:	
Cash and equivalents	\$ 1,325,505
Investments	<u>9,435,109</u>
	10,760,614
Less: Board designated for operating reserves, endowments, and donor advised funds	
	2,256,424
Less: Donor restricted endowment funds	<u>8,128,136</u>
	<u>10,384,560</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 376,054</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, 2019 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. The FEX apartment sale fund amounting to \$455,748 as of June 30, 2019 provides additional operating reserves; at the Board’s discretion, these funds are used prior to use of the general operating reserve. MRG’s operating budget for the year ending June 30, 2020 provides for the use of the FEX apartment sale fund amounting to \$215,000.

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, 2019, 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	\$ 311,387	\$ 311,387	\$ -
Cash/bank sweep accounts	283,293	283,293	-
Fixed income	3,409,204	-	3,409,204
Equities	5,431,225	5,431,225	-
	<u>\$ 9,435,109</u>	<u>\$ 6,025,905</u>	<u>\$ 3,409,204</u>

Investment expenses amounted to \$41,291 for the year ended June 30, 2019.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2019:

Equipment	\$ 11,107
Less accumulated depreciation	(10,394)
	<u>\$ 713</u>

NOTE 6 – 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, 2019 is as follows:

	With Donor Restrictions				Total Funds as of June 30, 2019
	Without Donor Restrictions	Original Gift	Accumulated gains & losses	Total	
Donor restricted endowment funds:					
General Endowment Fund	\$ -	\$ 1,257,703	\$ 638,531	\$ 1,896,234	\$ 1,896,234
Kellogg Endowment Fund	-	4,479,727	466,782	4,946,509	4,946,509
FEX Endowment Fund	-	621,541	242,360	863,901	863,901
Michael Smith Endowment Fund	-	116,249	61,601	177,850	177,850
Lilla Jewel Endowment Fund	-	128,558	115,084	243,642	243,642
Board-designated endowment fund	860,319	-	-	-	860,319
Total all endowment funds	\$ 860,319	\$ 6,603,778	\$ 1,524,358	\$ 8,128,136	\$ 8,988,455

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 817,433	\$ 2,999,443	\$ 3,816,876
Restricted contributions	-	4,479,727	4,479,727
Investment income	13,884	130,536	144,420
Net appreciation (depreciation)	62,453	752,53	814,988
Amounts appropriated for expenditure	(33,451)	(234,105)	(267,556)
Endowment net assets, end of year	<u>\$ 860,319</u>	<u>\$ 8,128,136</u>	<u>\$ 8,988,455</u>

NOTE 8- NET ASSETS DESIGNATED BY THE BOARD

Net assets designated by the Board are as follows as of June 30, 2019:

• General operating reserve	\$ 500,500
• FEX apartment sale proceeds operating reserve	455,748
• Donor-advised funds	439,857
• Endowment, subject to spending policy and appropriations to support MRG's grant-making activities	860,319
	<u>\$ 2,256,424</u>

NOTE 9- NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are as follows as of June 30, 2019:

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>	31,450
• <i>Capacity Building Initiative</i> -re-grants to other organizations working to achieve social justice; MRG's coaching, consulting and peer learning programs designed to build organizational capacity in grantees.	11,946
• <i>Organizational Transition</i>	53,738
Total subject to expenditure for specified purposes	<u>176,080</u>

Donor- restricted endowments subject to spending policy and appropriation, to support the following purposes:

• <i>General Endowment</i> -general operations and grants.	1,896,234
• <i>Kellogg Fund</i> - donor advised grants.	4,949,509
• <i>FEX Endowment Fund</i> - general operations and grants.	863,901
• <i>Michael Smith Fund</i> - general operations and grants.	177,850
• <i>Lila Jewel Fund</i> -lesbian and women artists and organizations.	240,642
Total donor restricted endowments	<u>8,128,136</u>
Total net assets with donor restrictions	<u>\$ 8,304,216</u>

NOTE 10- NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets released from restrictions are as follows for the year ended June 30, 2019:

Satisfaction of purpose restrictions:	
• Solidarity fund	\$ 1,976
• Immigrant and refugee support	16,000
• Capacity Building Initiative	132,533
• Organizational transition activities	31,262
• Tribal support	6,000
	<hr/>
	187,771
Appropriations from donor restricted endowment funds:	
• General Endowment fund for general operations and grants	84,144
• FEX Endowment Fund for general operations and grants	41,583
• Michael Smith Fund for general operations and grants	7,777
• Kellogg Fund for donor advised grants	92,000
• Lilla Jewel Fund for lesbian and women artist funding	8,601
	<hr/>
	234,105
	<hr/>
Total net assets released from restriction	\$ 421,876

NOTE 11 – 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 \$1,500 for the year ended June 30, 2019.

NOTE 12 – 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>
2020	\$ 2,664
2021	2,664
2022	2,664
2023	444
Total minimum required payments	<hr/>
	\$ 8,436

Total rent and lease expense amounted to \$35,220 for the year ended June 30, 2019.