

NORTH COAST LAND CONSERVANCY, INC.

FINANCIAL STATEMENTS

Year Ended September 30, 2020



**NORTH COAST
LAND CONSERVANCY**

Preserving the Oregon Coast Forever

KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

NORTH COAST LAND CONSERVANCY, INC.

FINANCIAL STATEMENTS

Year Ended September 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
North Coast Land Conservancy, Inc.
Seaside, Oregon

We have audited the accompanying financial statements of North Coast Land Conservancy, Inc. (a non-profit organization), which comprise the statement of financial position as of September 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 North Coast Land Conservancy, Inc. as of September 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited North Coast Land Conservancy, Inc.'s 2019 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated February 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Portland, Oregon
February 17, 2021

NORTH COAST LAND CONSERVANCY, INC.

STATEMENT OF FINANCIAL POSITION

Year Ended September 30, 2020

(With Comparative Totals as of September 30, 2019)

ASSETS

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 748,241	\$ 724,329
Contracts receivable	-	138
Investments	4,739,162	3,485,601
Prepaid expenses	7,163	11,167
Deposit for property acquisition	124,976	158,253
Conservation land	16,112,812	18,502,407
Property and equipment, net	226,265	236,185
Beneficial interest in assets held by others	134,808	141,787
Total assets	<u>\$ 22,093,427</u>	<u>\$ 23,259,867</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 6,348	\$ 6,020
Payroll and related liabilities	59,568	51,570
Agency funds held for others	12,372	-
Refundable advance - PPP	85,698	-
Note payable	246,000	-
Total liabilities	<u>409,986</u>	<u>57,590</u>
Net assets		
Without donor restrictions		
Available for operations	462,920	749,635
Board designated	1,334,120	1,337,133
Invested in land	16,112,812	18,502,407
Total without donor restrictions	<u>17,909,852</u>	<u>20,589,175</u>
With donor restrictions	3,773,589	2,613,102
Total net assets	<u>21,683,441</u>	<u>23,202,277</u>
Total liabilities and net assets	<u>\$ 22,093,427</u>	<u>\$ 23,259,867</u>

See notes to financial statements.

NORTH COAST LAND CONSERVANCY, INC.

STATEMENT OF ACTIVITIES

Year Ended September 30, 2020

(With Comparative Amounts as of September 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
Operating revenue				
Grants and contracts	\$ -	\$ 218,340	\$ 218,340	\$ 145,946
Contributions	376,204	1,230,234	1,606,438	2,294,488
Land contributed for conservation	-	-	-	1,259,856
Other	20,183	-	20,183	12,184
	396,387	1,448,574	1,844,961	3,712,474
Net assets released from restrictions				
Satisfaction of purpose	288,663	(288,663)	-	-
Total operating revenue	685,050	1,159,911	1,844,961	3,712,474
Expenses				
Program services				
Conservation of land	179,627	-	179,627	179,650
Stewardship of owned lands	266,869	-	266,869	224,920
Education and outreach	102,008	-	102,008	147,762
Total program services	548,504	-	548,504	552,332
Supporting services				
Management and general	111,072	-	111,072	111,900
Fundraising	101,102	-	101,102	86,024
Total expenses	760,678	-	760,678	750,256
Change in net assets before non-operating activities	(75,628)	1,159,911	1,084,283	2,962,218
Grant of conserved land (see Note M)	(2,696,199)	-	(2,696,199)	-
Dividends and interest	114,283	-	114,283	101,368
Net realized and unrealized gain on investments	(21,779)	576	(21,203)	43,799
Change in net assets	(2,679,323)	1,160,487	(1,518,836)	3,107,385
Net assets, beginning of year	20,589,175	2,613,102	23,202,277	20,094,892
Net assets, end of year	\$ 17,909,852	\$ 3,773,589	\$ 21,683,441	\$ 23,202,277

See notes to financial statements.

NORTH COAST LAND CONSERVANCY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2020

(With Comparative Totals as of September 30, 2019)

	<u>PROGRAM SERVICES</u>				<u>SUPPORTING SERVICES</u>		<u>Total</u>	
	<u>Conservation of Land</u>	<u>Stewardship of Owned Lands</u>	<u>Education and Outreach</u>	<u>Program Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2020</u>	<u>2019</u>
	Payroll and benefits	\$ 127,952	\$ 166,486	\$ 47,716	\$ 342,154	\$ 51,541	\$ 81,086	\$ 474,781
Professional services	24,662	8,490	24,545	57,697	20,085	1,500	79,282	148,851
Land management and acquisition	-	63,086	-	63,086	-	-	63,086	26,483
Occupancy	5,727	9,008	6,355	21,090	12,220	120	33,430	28,259
Office expense	5,549	2,977	11,359	19,885	13,896	17,751	51,532	46,131
Meetings and travel	1,185	3,770	847	5,802	815	645	7,262	15,463
Depreciation	6,532	8,398	6,532	21,462	6,532	-	27,994	25,885
Insurance	8,020	4,654	4,654	17,328	5,983	-	23,311	21,861
	<u>\$ 179,627</u>	<u>\$ 266,869</u>	<u>\$ 102,008</u>	<u>\$ 548,504</u>	<u>\$ 111,072</u>	<u>\$ 101,102</u>	<u>\$ 760,678</u>	<u>\$ 750,256</u>

See notes to financial statements.

NORTH COAST LAND CONSERVANCY, INC.

STATEMENT OF CASH FLOWS

Year Ended September 30, 2020

(With Comparative Amounts as of September 30, 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (1,518,836)	\$ 3,107,385
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	27,994	25,885
Realized and unrealized losses (gains) on investments	21,203	(43,799)
Proceeds restricted to the acquisition of conservation property	-	(220,000)
Grant of conservation property	2,696,199	(1,259,856)
Changes in assets and liabilities:		
Contracts receivable	138	23,759
Prepaid expenses	4,004	(865)
Deposit for property acquisition	33,277	(48,448)
Accounts payable	328	2,524
Payroll and related liabilities	7,998	4,710
Agency funds held for others	12,372	-
Refundable advance - PPP	85,698	-
Net cash provided by (used in) operating activities	1,370,375	1,591,295
Cash flows from investing activities:		
Purchase of property and equipment	(18,074)	(4,775)
Purchase of investments	(1,160,106)	(1,583,922)
Purchases of land	(306,603)	(3,641)
Distribution from beneficial interest in assets held by others	6,006	5,783
Investment earnings retained in investment accounts	(113,686)	(100,508)
Net cash provided by (used in) investing activities	(1,592,463)	(1,687,063)
Cash flows from financing activities:		
Proceeds of loan used to purchase land	246,000	-
Proceeds restricted to the acquisition of conservation property	-	220,000
Net cash provided by (used in) financing activities	246,000	220,000
Net change in cash	23,912	124,232
Cash and cash equivalents, beginning of year	724,329	600,097
Cash and cash equivalents, end of year	\$ 748,241	\$ 724,329

See notes to financial statements.

NORTH COAST LAND CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

NOTE A – DESCRIPTION OF ORGANIZATION

North Coast Land Conservancy, Inc. (the Organization) is a nonprofit land trust dedicated to safeguarding Oregon's vital coastal landscapes since 1986. Working with a wide range of community partners, the Organization acquires strategic lands and manages a living network of coastal habitats – from Astoria to Lincoln City – necessary to support abundant wildlife and diverse community needs, now and forever. The Organization's mission is to help conserve Oregon's coastal lands, forever. The Organization engages the community in strategically acquiring land for its ecological and cultural values, holding those lands in public trust in perpetuity.

Program services include:

- **Conservation** – The conservation program builds strong relationships with local landowners and with local, state, and national organizations in order to voluntarily protect land with high ecological and cultural values along the North Oregon Coast. The Organization uses science and local knowledge to create conservation plans, and then works strategically to conserve the highest priority areas. Conservation is achieved through fee title acquisitions and conservation easements. As of September 30, 2020, the Organization had conserved 4,829 acres in 3 counties.
- **Stewardship** – The Organization's stewardship program empowers and supports staff and community volunteers to meet its minimum core standards for maintaining ecological integrity of the land it is responsible for and, when fiscally and ecologically feasible, go above and beyond in order to move sites toward a self-sustaining ecosystem habitat enhancement and restoration based on the best available science. The Organization works to instill stewardship in the community by sharing its commitment to land conservation and by providing opportunities for people to enjoy and work on the lands it conserves.
- **Education and Outreach** – The Organization builds strong community support for the conservation and stewardship work of the land trust through effective communications, engaging outreach programs and strategic partnerships with other organizations. The Organization's outreach program uses events on the land and presentations up and down its service area to foster deeper connections to the work of the land trust and to the land that it holds in conservation, leading to a greater community support of local conservation. In 2020, the organization hosted events in a very different way. NCLC hosted more than 30 virtual events in the form of tours, project updates, and fun times like forest trivia night, and the annual gratitude gathering to thank all the generous supporters.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncements

During the fiscal year ended September 30, 2020, two new accounting pronouncements became effective for the Organization: *Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09")* and *Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ("ASU 2018-08")*.

NORTH COAST LAND CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Pronouncement (Continued)

ASU 2014-09 outlines a single, comprehensive model for accounting for revenue from contracts with customers. Revenue streams applicable to the Organization that qualify as exchange transactions include trainings and events with customers. Management of the Organization has analyzed the provisions of ASU 2014-09, and has concluded that no changes are necessary to conform with the new standard, therefore the implementation of ASU 2014-09 had no impact on beginning net assets or revenues.

ASU 2018-08 clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. This guidance clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle resulting from ASU 2018-08 was adopted on a modified prospective basis during the year ending June 30, 2020. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of June 30, 2019.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets either subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

NORTH COAST LAND CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals with those skills. Such services would typically need to be purchased if not provided by donation, and are recorded at their fair values in the period received.

Conditional Promises to Give

A portion of the Organization's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. There are \$3,500,000 in conditional awards as described in Note D for a major property acquisition.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization classifies as cash and cash equivalents all checking, savings, and money market accounts and all investments maturing within 90 days when purchased.

Investments and Fair Value Measurements

Investments and the beneficial interest in assets held by others (see Note F) is measured at fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Net appreciation in fair value, which consists of the realized gains or losses and the unrealized gains (losses) of the underlying investments, is also shown in the statement of activities. Interest income is accrued as earned.

Property and Equipment

Property and equipment in excess of \$500 is recorded at cost or at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Expenditures for additions, major renewals and betterments are capitalized, and expenditures for repairs and maintenance are charged to operations as they are incurred.

NORTH COAST LAND CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Conservation Lands and Easements

The Organization 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.

Conservation easements are comprised of listed rights and/or restrictions over the owned property that are conveyed by a property owner to the Organization, 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. Conservation easements, by their very nature, do not generate material amounts of cash inflow annually. Conservation easements purchased or donated are not recorded as assets on the Statement of Financial Position. All easements acquired by purchase are recorded as conservation activities expenses in the statement of activities. Costs incurred in obtaining the easements are recorded as current period expenses.

Income Taxes

The Organization has been approved as a tax-exempt organization under the Internal Revenue Code 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization does not believe it has unrelated trade or business income in excess of \$1,000.

Functional Allocation of Expenses

The Statement of Functional Expenses presents the natural classification detail of expenses by function. Individual salaries are distributed based on each person's time spent in programs or supporting tasks. Payroll taxes and benefits are allocated on the basis of the direct salary expenses by program. Certain shared costs including occupancy and office expenses are allocated either on the basis of square footage or on the basis of direct salary expense by program.

Endowment Net Assets

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) has been enacted by Oregon. UPMIFA eliminates the historic dollar value threshold, an amount below which an organization could not spend from an endowment fund, and establishes a set of prudent management and investment standards for boards to follow when managing endowment funds. Under UPMIFA, the Organization may spend so much of an endowment fund as it considers prudent, regardless of whether the fund is below its historic dollar value. A donor's intent to maintain an endowment in perpetuity must still be considered and the fund managed accordingly.

NORTH COAST LAND CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Net Assets (Continued)

However, the Organization retains variance power over its endowment assets. The Organization's organizing documents and fund agreements set forth the power to modify any restrictions or conditions on distributions from funds if, in the Organization's judgment, such restrictions or conditions become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area being served.

As a result of this interpretation, net assets with donor restrictions includes (1) the original value of gifts donated to the permanent endowment, (2) subsequent gifts to the endowment, and (3) accumulations made pursuant to the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In general, investment returns on the Organization's endowment are available for retention or appropriation based on the same prudent standards and policies established by the Board of Directors and, therefore, are classified as net assets with donor restrictions until the returns are appropriated for expenditure by the Board of Directors and, if the use of the investment return is restricted by the donor, until the restriction has also been satisfied.

Endowment Investment and Spending Policies

The goal of the Organization's investment program for funds held as an endowment is to achieve a total rate of return that will allow the Organization to respond to today's needs and the long-term growth necessary to respond to future needs. The investment objective for endowed funds is to retain (at a minimum) when possible an increase in the purchasing power of the funds, while at the same time producing a reasonable return for distribution to meet current needs. To meet this investment objective, the Organization follows a total return strategy in which investment decisions are made with the intent of maximizing the long-term total return of the portfolio, combining market-value changes (realized and unrealized) and current yield (interest and dividends). Organization endowment assets are invested in The Oregon Community Foundation (OCF) as an endowment partner.

The Organization has adopted a spending policy based on the policies of its endowment partner, OCF, to determine the annual amount available for distributions from funds held as permanent endowment. Each year OCF sets an annual payout rate for the coming year based on a 10-year projection of investment return. Currently, if the projected 10-year return is 9% or above, the payout for grants will be 5% of market value; if the projected 10-year return is below 9%, the payout for grants will be 4-1/2% of market value. Market value is determined using a 13-quarter trailing average of fund market value.

The Organization's investment objective for funds held as permanent endowment funds is to preserve capital and, if possible, purchasing power over the life of the fund. To meet this objective, assets of individual funds are invested in a mixture of cash, bonds, and stocks that will produce a reasonable return over a reasonable period, consistent with the payout schedule and program objective of the fund.

NORTH COAST LAND CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

NOTE C – FAIR VALUE MEASUREMENTS

Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1 – Quoted prices in active markets for identical assets. Assets in this level typically include publicly traded equities, mutual fund investments and cash equivalents.

Level 2 – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data such as published interest rates and yield curves, over-the-counter derivatives, market modeling, or other valuation methodologies.

Level 3 – Unobservable inputs that reflect management’s assumptions and best estimates based on available data. Assets in this level include beneficial interests in assets held by others.

Realized and unrealized gains and losses from investments are reported in the Statement of Activities as they occur. There have been no changes in valuation techniques and related inputs.

Fair values of assets measured on a recurring basis at September 30, 2020 were as follows:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 404,939	\$ -	\$ -	\$ 404,939
Fixed income funds	237,362	-	-	237,362
Equities	469,784	-	-	469,784
Equity funds	237,284	-	-	237,284
Bond funds	403,168	-	-	403,168
Exchange traded funds	2,982,515	-	-	2,982,515
Accrued income	4,110	-	-	4,110
Beneficial interest in assets held by others	-	-	134,808	134,808
	\$ 4,739,162	\$ -	\$ 134,808	\$ 4,873,970

For the year ended September 30, 2020, the changes in investments classified as Level 3 are as follows:

Beginning balance	\$ 141,787
Earnings	450
Funds released	(6,006)
Investment fees	(1,314)
Realized gain on investment	250
Unrealized gain on investment	(359)
Total investments at fair value	\$ 134,808

NORTH COAST LAND CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

NOTE D – DEPOSIT FOR PROPERTY ACQUISITION

In December 2016, the Organization entered into an agreement with EcoTrust Forest II, LLC, to acquire about 3,600 acres of timber property located in Clatsop County, Oregon. Under this agreement, the Organization will acquire property in two phases. Phase one must be completed by December 31, 2021 and phase two by December 31, 2023. The Organization has remitted a \$100,000 non-refundable hold fee that will not be credited toward the purchase price of the property. An additional \$24,976 has been capitalized as acquisition costs for the Rainforest Reserve as well as other projects. The property will be purchased for appraised value which is anticipated to be about \$6.5 million.

As of September 30, 2020, various governmental and foundation entities have pledged conditional support for the acquisition of this property totaling \$3,500,000. These grants are conditioned on the Organization obtaining matching funds and/or funding the completed acquisition at closing.

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Building and improvements	\$ 302,728
Equipment	60,162
Furniture	11,272
Less accumulated depreciation and amortization	<u>(147,897)</u>
	<u>\$ 226,265</u>

Depreciation and amortization expense totaled \$27,994 for the year ended September 30, 2020.

NOTE F – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The beneficial interest in assets held by others as of September 30, 2020 consists of two groups of pooled investments held by the Oregon Community Foundation (OCF). One account is maintained for easement stewardship. A second account is an endowment account.

Fair value of the beneficial interest in assets held by others is determined by the Organization's endowment partner, OCF, and is based upon the Organization's proportionate interest in OCF's endowment partner fund liability after adjustments for contributions and distributions made during the year. OCF's endowment partner fund liability is stated at fair value, which is generally equivalent to the present value of future payments expected to be made to the endowment partners. Funds may be distributed to the Organization upon a majority vote of its Board of Directors, if in the judgment of the OCF Board of Directors the requested distribution is consistent with the objectives and purposes of the Organization. If the Organization ceases to exist, distributions from the fund will be made to a qualified organization with similar objectives and purposes.

NORTH COAST LAND CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

NOTE G – REFUNDABLE ADVANCE (PAYCHECK PROTECTION PROGRAM LOAN)

In response to the global economic impact caused by the coronavirus pandemic, the US Small Business Administration (SBA) created the Paycheck Protection Program (PPP) “forgivable loan” to assist nonprofit organizations and for-profit enterprises with eligible payroll and certain specified operating costs. The loans are funded by the SBA through participating banks and are subject to specific conditions, which if met, will result in forgiveness of all or part of the loan. The Organization qualified for and received a PPP loan for \$85,698 on April 23, 2020. The terms of the PPP loan include interest at 1% and maturity on May 5, 2022.

The Organization has concluded that although the legal form of the PPP is a loan, it believes the criteria has been met and the SBA will approve its forgiveness application. Accordingly, the PPP loan represents, in substance, a conditional grant and has therefore been recorded as a refundable advance under the accounting guidance of ASC 958-605.

NOTE H – NOTE PAYABLE

The Organization borrowed \$246,000 from Craft3 as short term financing need to acquire the Tillamook River Wetlands property. The note, which bears interest at 2% per annum, is payable in quarterly interest only installments of \$1,236 and is secured by all assets of the Organization.

NOTE I – ENDOWMENT NET ASSETS

As part of an agreement to add a property to the land conservation portfolio, a beneficial interest in OCF is an endowment as follows:

	Without Donor Restrictions	<u>With Donor Restrictions</u>		Total Endowment Assets
		<u>Accumulated Gains</u>	<u>Corpus</u>	
Endowment net assets, beginning of year	\$ (556)	\$ -	\$ 296,000	\$ 295,444
Contributions	-	-	-	-
Investment gains (losses)	-	576	-	576
Appropriations for expenditure	576	(576)	-	-
Expenditures	<u>(4,442)</u>	<u>-</u>	<u>-</u>	<u>(4,442)</u>
Endowment net assets, end of year	<u>\$ (4,422)</u>	<u>\$ -</u>	<u>296,000</u>	<u>\$ 291,578</u>

NORTH COAST LAND CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

NOTE J – RESTRICTIONS ON NET ASSETS

The Organization's net assets with donor restrictions are subject to the following purpose or time restrictions:

Subject to purpose restrictions:	
Circle Creek Trails	\$ 92,548
Video Project	451
LTA ACE General Grants	62,950
DEI	30,617
Rainforest Reserve	<u>3,291,023</u>
	<u>3,477,589</u>
Subject to endowment spending policy and appropriation	<u>296,000</u>
Total net assets with donor restrictions	<u>\$ 3,773,589</u>

Board designated net assets consist of the following:

Coastal Edge Initiative	\$ 404,385
Butte Creek Dedicated Fund	35,200
Clear Lake Dedicated Fund	40,000
Coal Creek Dedicated Funds	20,000
Croset Creek Dedicated Funds	14,739
Drive In Dedicated Funds	8,000
Neacoxie Estates Dedicated Fund	48,000
Necanicum Forest Dedicated Fund	30,000
Pinehurst Habitat Maintenance	10,600
Sand Creek II Dedicated Fund	20,500
Shangrila/Stevens Dedicated	10,000
Skipanon Forest Dedicated Fund	33,000
Thompson Falls Dedicated Funds	18,800
Westlake Prairie Dedicated Fund	120,000
Circle Creek Rebuild Fund	373,881
Easement Defense Fund	65,000
OCF Easement Support Fund	63,230
Other	<u>18,785</u>
Total board designated net assets	<u>\$ 1,334,120</u>

NOTE K – LEASE COMMITMENT

The Organization is leasing office space in Seaside, Oregon under a month-to-month lease agreement. The Organization is currently paying \$1,500 monthly.

NORTH COAST LAND CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

NOTE L – LIQUIDITY

The following chart represents the Organization's financial assets available to meet cash needs for general expenditures within one year of September 30, 2020:

Financial assets at year-end	
Cash and cash equivalents	\$ 748,241
Receivables	-
Investments	4,739,162
Beneficial interest in assets held by others	134,808
Total financial assets	<u>5,622,211</u>
Less those unavailable for general expenditure within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor as an endowment	(296,000)
Restricted by donor for rainforest reserve	(3,291,023)
Restricted by donor - other purpose restrictions	(186,566)
Agency funds held for others	(12,372)
Board designations:	
Board-designated investments	<u>(1,334,120)</u>
Total unavailable financial assets	<u>(5,120,081)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 502,130</u>

The Organization's endowment funds consist of a donor-restricted endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note B, the Organization's spending policy is to appropriate all investment earnings from the previous year into the next year. Approximately \$6,000 of appropriations from the endowment funds will be available within the next 12 months.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of current requirements in short-term investments.

NOTE M – GRANT MADE TO OTHERS

The Organization's portfolio of conservation land included a property located in Clatsop County, Oregon that has held both conservation and tribal interest. On May 1, 2020, the Organization transferred property having a capitalized cost of \$2,696,199 to The Confederated Tribes of the Clatsop-Nehalem Indians due to the mutual interest of that tribe and North Coast Land Conservancy in maintaining the property in perpetuity for both tribal and conservation purposes. The Organization maintains an easement that was placed prior to its ownership and stays with the land. This easement is over a portion of tidal marsh lands with particularly significant ecological values. No development may occur within the easement area.

NORTH COAST LAND CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020

NOTE N – IN-KIND CONTRIBUTIONS

The Organization recognizes in-kind donations that are material and either create or enhance nonfinancial assets, or require specialized skills.

Volunteers provide many of the Organization's daily personnel needs for routine operations. During the year ending September 30, 2020, NCLC was not able to involve as many volunteers as in years past, due to COVID-19. Despite the restrictions, more than 40 volunteers donated 4,000 hours to further the mission of the Organization.

NOTE O – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances and certificates of deposit at a number of financial institutions. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to the maximum allowed. At September 30, 2020, cash in excess of FDIC insurance was \$135,364. The Organization also holds uninsured money market instruments and a mutual fund, both of which are subject to normal market fluctuations.

The Organization's grants and contracts receivable are uncollateralized. No losses have been experienced on these accounts.

NOTE P – SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 17, 2021, which is the date the financial statements were available to be issued.

Beginning in January 2020, an outbreak of a coronavirus necessitated that many employees work from home and necessitated social distancing measures. The effects of these events may continue for some time, including disruptions to or restrictions on employees' ability to work and on the ability of donors, sponsors, and members to fully participate in programs and continue their current level of financial support to the Organization. At the present time, the ultimate future effects of these issues are unknown.