
OREGON NATURAL DESERT ASSOCIATION

FINANCIAL STATEMENTS

**For the Year Ended
December 31, 2022**

OREGON NATURAL DESERT ASSOCIATION

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To the Board of Directors
Oregon Natural Desert Association

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

We have reviewed the accompanying financial statements of Oregon Natural Desert Association (hereafter, "ONDA"), which comprise the statement of financial position as of December 31, 2022 and the related statements of activities, functional expenses, and cash flows for the year then ended, and related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements:

Management is responsible for the preparation and fair presentation of the 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 misstatements whether due to fraud or error.

Accountants' Responsibility:

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of ONDA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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Accountants' Conclusion:

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Capstone Certified Public Accountants, L.L.C.

Capstone Certified Public Accountants, L.L.C.

Redmond, Oregon

June 15, 2023

OREGON NATURAL DESERT ASSOCIATION

STATEMENT OF FINANCIAL POSITION

(See Independent Accountants' Review Report)

December 31, 2022

ASSETS

Current assets:

Cash and cash equivalents (Note 1)	\$ 2,012,558
Accounts receivable	23,245
Prepaid expenses	14,800
Total current assets	2,050,603
Deposits	6,920
Investments	1,899,719
Beneficial interests (Note 3)	376,772
Right of use asset - operating (Note 7)	375,739
Property and equipment (Note 4)	57,494
Less accumulated depreciation	(53,681)
	3,813
	\$ 4,713,566

OREGON NATURAL DESERT ASSOCIATION

STATEMENT OF FINANCIAL POSITION - continued

(See Independent Accountants' Review Report)

December 31, 2022

LIABILITIES AND NET ASSETS

Current liabilities:

Accrued payroll	\$ 32,212
Accrued vacation	55,826
Deferred revenue (Note 5)	203,430
Lease liability - operating - current (Note 7)	53,311

Total current liabilities 344,779

Lease liability - operating - long-term (Note 7) 322,428

322,428

Net assets (Notes 6):

Net assets without donor restrictions	3,669,587
Net assets with donor restrictions	376,772

Total net assets 4,046,359

\$ 4,713,566

OREGON NATURAL DESERT ASSOCIATION

STATEMENT OF ACTIVITIES (See Independent Accountants' Review Report)

For the Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating activities			
Support & revenue			
Grants	\$ 845,192	\$ 7,285	\$ 852,477
Contracts	25,209	-	25,209
Contributions	634,214	-	634,214
Reimbursements	52,670	-	52,670
Events	2,973	-	2,973
Sales	20,171	-	20,171
Investments earnings	775	16,973	17,748
	<u>41,595</u>	<u>(41,595)</u>	<u>-</u>
Net assets released from restrictions			
Total support and revenue	<u>1,622,799</u>	<u>(17,337)</u>	<u>1,605,462</u>
Expenses			
Program activities	1,459,546	-	1,459,546
Management and general	166,229	-	166,229
Fundraising activities	192,632	-	192,632
	<u>1,818,407</u>	<u>-</u>	<u>1,818,407</u>
Total expenses	<u>1,818,407</u>	<u>-</u>	<u>1,818,407</u>
Net income from operations	(195,608)	(17,337)	(212,945)
Non-operating income			
Unrealized loss on investments	<u>(387,887)</u>	<u>(110,616)</u>	<u>(498,503)</u>
Change in net assets	<u>(583,495)</u>	<u>(127,953)</u>	<u>(711,448)</u>
Net assets, beginning of the year	<u>4,253,082</u>	<u>504,725</u>	<u>4,757,807</u>
Net assets, end of year	<u>\$ 3,669,587</u>	<u>\$ 376,772</u>	<u>\$ 4,046,359</u>

The accompanying notes are an integral part of the financial statements.

OREGON NATURAL DESERT ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

(See Independent Accountants' Review Report)

For the Year Ended December 31, 2022

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and benefits	\$ 1,088,516	\$ 137,787	\$ 151,566	\$ 1,377,869
Contract services	124,429	10,820	-	135,249
Travel	49,786	-	-	49,786
Occupancy	63,192	8,737	9,611	81,540
Supplies and maintenance	24,588	3,112	3,424	31,124
Events	16,207	-	2,210	18,417
Fees, dues and licenses	31,670	-	-	31,670
Printing	32,053	-	4,371	36,424
Calendar & merchandise	-	-	17,641	17,641
Postage and shipping	17,818	-	2,430	20,248
Telephone	4,015	508	559	5,082
Accounting	5,885	745	820	7,450
Insurance	-	4,520	-	4,520
Depreciation	1,387	-	-	1,387
	<u>\$ 1,459,546</u>	<u>\$ 166,229</u>	<u>\$ 192,632</u>	<u>\$ 1,818,407</u>

The accompanying notes are an integral part of the financial statements.

OREGON NATURAL DESERT ASSOCIATION

STATEMENTS OF CASH FLOWS (See Independent Accountants' Review Report)

For the Year Ended December 31, 2022

Operating activities:

Change in net assets	\$ (711,448)
Adjustments to reconcile change in net assets	
Depreciation	1,387
Unrealized loss on investments	498,503
Increase in:	
Accounts receivable	(14,491)
Prepaid expenses	(3,341)
Increase (decrease) in operating liabilities:	
Accounts payable	(250,521)
Accrued payroll	29,667
Accrued vacation	104
Deferred revenue	(139,535)
Net cash used in operating activities	(589,675)
Investing activities:	
Net proceeds of investments	1,892
Net cash provided by investing activities	1,892
Net decrease in cash	(587,783)
Cash, beginning of year	2,600,341
Cash, end of year	\$ 2,012,558

The accompanying notes are an integral part of the financial statements.

OREGON NATURAL DESERT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(See *Independent Accountants' Review Report*)

1 - Significant Accounting Policies

Nature of Activities

The Oregon Natural Desert Association (ONDA) was incorporated in the State of Oregon in 1989. ONDA is a nonprofit organization with a mission to protect, defend and restore Oregon's high desert for current and future generations.

Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting as required under accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of ONDA and changes therein are classified and reported as follows:

Net assets without donor restrictions – These funds account for unrestricted contributions and other unrestricted revenue. These funds provide for administration and operation of ONDA. Equipment acquisitions, including the recording of their cost and depreciation are also included in the unrestricted funds. net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of ONDA. These net assets may be used at the discretion of ONDA's management and board of directors. These funds accounting for unrestricted contributions and other unrestricted revenue.

Net assets with donor restrictions – These funds are used to account for the proceeds of specific revenue sources that are legally or contractually restricted to expenditures for specified purposes. Additionally, these funds account for the collection and disbursement of restricted contributions of which the income portion is, if not specifically required to be added to the capital, transferred to net assets without donor restrictions. Endowment funds are restricted in perpetuity. Investment earnings on endowment funds are considered to be without 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 the actions of ONDA or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

OREGON NATURAL DESERT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

(See Independent Accountants' Review Report)

1 - Significant Accounting Policies - continued

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). ONDA groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 – Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 – Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets / liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset / liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, ONDA considers petty cash and all demand deposits to be cash and cash equivalents. Cash held by financial institutions is insured by the Federal Deposit Insurance Corporation up to \$250,000 for each institution. As of December 31, 2022, ONDA had cash bank balances of \$249,543 in excess of the FDIC limitations.

Property and Equipment

Property and equipment is stated at historical cost, or if donated, at the estimated fair value at the date of donation. Furniture and equipment in excess of \$5,000 are capitalized and are depreciated over an estimated useful life of three to seven years using straight-line method of depreciation. Vehicles are depreciated over a useful life of five years.

OREGON NATURAL DESERT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued

(See Independent Accountants' Review Report)

1 - Significant Accounting Policies - continued

Revenue Recognition

Primary revenues of the Organization are either recognized at a point in time when the services are provided and the performance obligations are satisfied or over the applicable service period and are categorized as follows:

Point in Time -

Revenues from sales and events are recognized at a point in time in the period in which the activities occur.

Applicable Service Period -

Revenues associated with contracts and reimbursements are recognized on a monthly basis over the calendar year.

Grants and contributions

Grants and contributions received as well as collectible unconditional promises to give are recognized in the period received. Grants and contributions are recorded as without donor restrictions and with donor restrictions depending on the existence and/or nature of any donor restrictions. Grants may be received prior to the applicable service period in which they are recorded as deferred revenue until the period in which applicable than recognized as revenue.

All donor-restricted contributions are reported as an increase in donor restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Releases totaled \$41,595 for the year ended December 31, 2022.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

OREGON NATURAL DESERT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued

(See Independent Accountants' Review Report)

1 - Significant Accounting Policies - continued

Income Taxes

ONDA is a not-for-profit organization that is exempt from Federal and State income taxes under Internal Revenue Code Section 501(c)(3). Therefore, no provision for federal or state taxes on income has been included in the financial statements. Tax positions for open tax years were reviewed and it was determined that no provision for uncertain tax positions is required.

Functional Allocation of Expenses

As required by FASB ASC 958, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Recently adopted accounting guidance

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available.

The Organization leases commercial office space. The Organization determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the balance sheet. The Organization does not have any finance leases.

OREGON NATURAL DESERT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued

(See Independent Accountants' Review Report)

1 - Significant Accounting Policies - continued

Leases - continued

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, we use the incremental borrowing rate or a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The Organization has made the election to use risk-free rates as the discount rate for operating right of use assets. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization has made an accounting policy election to forgo applying the requirements for recognition to a short-term lease, 12 months or less, and alternatively, record the lease payments in the income statement on a straight-line basis over the term of the lease.

Date of Management's Review

Subsequent events have been evaluated through June 15, 2023 which is the date the financial statements were available to be issued. Management was unaware of any reportable material subsequent events that required disclosure.

OREGON NATURAL DESERT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued

(See Independent Accountants' Review Report)

2 - Liquidity and Availability

The following represents the Organization's financial assets as of December 31, 2022:

	<u>2022</u>
Financial assets at year end:	
Cash and cash equivalents	\$ 2,012,558
Investments	1,899,719
Beneficial interests (Note 3)	<u>376,772</u>
Total financial assets	4,289,049
Less deferred revenue (Note 5)	203,430
Less amounts not available to be used within one year:	
Net assets with donor restrictions (Note 6)	<u>376,772</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 3,708,847</u></u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash may be invested in short-term investments, including money market accounts and certificates of deposit.

OREGON NATURAL DESERT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued

(See Independent Accountants' Review Report)

3 - Funds Held at Oregon Community Foundation

Beneficial interests in split-interest agreements held by others are recorded at the net present value of the estimated future amount to be received from such assets, revalued annually based on the fair value of investments on December 31. Perpetual trusts held by others are recorded at market value as reported by the trustee or custodian. The present value of charitable remainder trusts held by others is determined using discount rates based on the assumed rate of return on the trust assets and actuarially-determined expected lives of beneficiaries.

Contributions made to the Oregon Community Foundation Endowment Fund, an Oregon nonprofit corporation, become permanent funds of the Oregon Community Foundation for the Oregon Natural Desert Association Endowment Fund, if designated by the contributor. The Foundation distributes an appropriate percentage of the fair value of the principal and income of the Fund to the Oregon Natural Desert Association. The Fair value of the Stocks, Bonds and other in the amount of \$1,899,719 are considered to be level 1 investments. The fair value of the Oregon Community Foundation Fund in the amount of \$376,772 are considered to be level 1 investments.

4 - Property and Equipment

	2022	Cost	Accumulated Depreciation	Net Book Value
Vehicles		57,494	53,681	3,813
		<u>\$ 57,494</u>	<u>\$ 53,681</u>	<u>\$ 3,813</u>

OREGON NATURAL DESERT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued

(See Independent Accountants' Review Report)

5 - Deferred Revenue

Deferred revenues of ONDA consist of the following grants received for future periods:

	<u>2022</u>
Greater Hart Sheldon Conservation Fund	\$ 120,000
Hillis Internship Fund	78,430
Trout & Salmon Foundation	<u>5,000</u>
	<u>\$ 203,430</u>

6 - Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2022:

	<u>2022</u>
Endowment Funds (OCF)	<u>\$ 376,772</u>

7 - Leases

The organization has an operating lease for commercial office space. The organization lease has remaining lease term of 3 months expiring in May, 2023 and has agreed to an amendment to the lease to extend the term until May, 2028, which may include options to extend the lease to month to month, or options to terminate the lease.

OREGON NATURAL DESERT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued

(See Independent Accountants' Review Report)

7 - Leases - continued

The following summarizes the line items in the balance sheet which include amounts for operation leases as of December 31, 2022:

Operating lease right of use assets	375,739
Operating lease liabilities - current	53,311
Operating lease liabilities - long-term	322,428

The components of lease expense that are included in the statement of income is as follows for December 31, 2022:

Operating lease cost	\$	43,910
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Supplemental Cash Flows Information:

Operating cash flows from operating leases	43,910
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Right-of-use assets modified in 2022 in exchange for lease obligations:

Operating leases	357,350
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Weighted Average Remaining Lease Term

Operating leases	5.25 years
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Weighted Average Discount Rate

Operating leases	1.9%
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OREGON NATURAL DESERT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued

(See Independent Accountants' Review Report)

7 - Leases - continued

Future minimum lease payments under non-cancellable leases as of December 31, 2022 were as follows:

Years ending December 31,	
2023	55,500
2024	67,310
2025	74,041
2026	81,445
2027	91,000
Thereafter	<u>38,799</u>
Total future minimum lease payments	\$ 408,095
Less imputed interest	<u>32,356</u>
Total	<u><u>375,739</u></u>

8 - Commitments and Contingencies

ONDA applies and receives grant funding that may require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, the Board and management deems the contingency remote, since by accepting the grants and their terms, ONDA have designed and tailored ONDA's systems to comply with the requirements of the grants.

Periodically ONDA engages with third party attorneys for legal cases in which ONDA may receive a future fee reimbursement. The fee agreements are contingent upon receipt of final reimbursement. Due to the uncertain nature of timing, ONDA records reimbursement income and corresponding third party attorney fees in the period of receipt.

OREGON NATURAL DESERT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - Continued

(See Independent Accountants' Review Report)

9 - Revenue from Contracts

Revenue from contracts, the timing of revenue recognition, billings, and cash collections may result in accounts receivable (contract asset), deposits and deferred revenue (contract liabilities) on the statement of financial position.

The following is the organization's revenue disaggregated according to the timing of the transfer of goods and services:

	<u>2022</u>
Revenue recognized at a point in time:	
Sales	\$ 20,171
Events	2,973
	<u>\$ 23,144</u>
Revenue recognized over service period:	
Contracts	\$ 25,209
Reimbursements	52,670
	<u>\$ 25,209</u>

The following are the contract assets and contract liabilities for year ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Contract assets:		
Accounts receivable	<u>\$ 23,245</u>	<u>\$ 8,754</u>
Contract liabilities:		
Deferred revenue	<u>\$ 203,430</u>	<u>\$ 342,965</u>