

DESCHUTES RIVER CONSERVANCY

FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

DESCHUTES RIVER CONSERVANCY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Deschutes River Conservancy
Bend, Oregon

Opinion

We have audited the financial statements of Deschutes River Conservancy (the Organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenses by funding sources on page 22 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information included in this schedule is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Prior-Year Summarized Comparative Information

We have previously audited the Organization's September 30, 2021, financial statements and expressed an unmodified audit opinion on those audited financial statements in our reported dated January 20, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Price Fronek & Co.

February 13, 2023

FINANCIAL STATEMENTS

DESCHUTES RIVER CONSERVANCY

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2022

(WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,115,081	\$ 1,408,547
Grants and other receivables	421,561	597,547
Prepaid expenses	19,251	17,809
TOTAL CURRENT ASSETS	<u>1,555,893</u>	<u>2,023,903</u>
PROPERTY AND EQUIPMENT , net of accumulated depreciation of \$27,366 and \$26,332, respectively.	<u>16,849</u>	<u>23,291</u>
OTHER ASSETS		
Employee note		3,358
Deposits	5,269	5,269
TOTAL ASSETS	<u>\$ 1,578,011</u>	<u>\$ 2,055,821</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 191,044	\$ 496,665
Accrued payroll and related expenses	90,995	100,174
Deferred revenue	232,007	422,505
TOTAL LIABILITIES	514,046	1,019,344
NET ASSETS		
Without donor restrictions	959,304	880,531
With donor restrictions	104,661	155,946
TOTAL NET ASSETS	<u>1,063,965</u>	<u>1,036,477</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,578,011</u>	<u>\$ 2,055,821</u>

See accompanying notes to financial statements

DESCHUTES RIVER CONSERVANCY

STATEMENT OF ACTIVITIES YEAR ENDED SEPTEMBER 30, 2022 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2022	2021
REVENUE				
Grants	\$ 1,193,214	\$ 145,800	\$ 1,339,014	\$ 1,185,787
Interest income	555		555	186
Contributions and events	177,871	13,874	191,745	184,531
Other income	305,569		305,569	254,545
In-kind	5,989		5,989	39,764
Net assets released from restrictions	210,959	(210,959)		
TOTAL REVENUE	1,894,157	(51,285)	1,842,872	1,664,813
EXPENSES				
Program services				
Water acquisition - stream-flow restoration				
Conservation	448,255		448,255	69,463
Water management	167,363		167,363	99,916
Leasing of water rights	166,527		166,527	173,774
Permanent transfers - restoration	93,261		93,261	365,525
Mitigation				
Temporary transfers - mitigation	90,383		90,383	91,583
Planning and monitoring	366,717		366,717	258,047
Consulting	8,253		8,253	42,736
Total Program services	1,340,759		1,340,759	1,101,044
Supporting Services				
Management and general	367,282		367,282	341,237
Fundraising	107,343		107,343	52,669
Total Supporting services	474,625		474,625	393,906
TOTAL EXPENSES	1,815,384		1,815,384	1,494,950
CHANGE IN NET ASSETS	78,773	(51,285)	27,488	169,863
NET ASSETS - Beginning of year	880,531	155,946	1,036,477	866,614
NET ASSETS - End of year	\$ 959,304	\$ 104,661	\$ 1,063,965	\$ 1,036,477

See accompanying notes to financial statements

DESCHUTES RIVER CONSERVANCY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2022

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2021)

	Program Services			Support Services		Totals	
	Conserved Water	Leasing and Transfers	Basin Planning	Management and General	Fundraising	2022	2021
PERSONNEL							
Salaries and wages	\$ 90,561	\$ 111,291	\$ 212,627	\$ 137,301	\$ 40,058	\$ 591,838	\$ 473,342
Payroll taxes and benefits	56,747	69,738	133,237	86,036	25,101	370,859	334,163
Total Personnel	147,308	181,029	345,864	223,337	65,159	962,697	807,505
MATERIALS AND SERVICES							
Contracting	326,851	23,757	112,024			462,632	323,425
Irrigation leases	11,227	118,498				129,725	99,423
Outreach	8,060	5,379	7,429		1,792	22,660	52,405
Computers and software	1,807	1,233	1,681	12,620		17,341	15,687
Supplies and materials	3,562	197	52	4,169		7,980	8,827
Office rent				65,896		65,896	69,083
Printing and publication	2,184	1,490	2,031	2,495		8,200	6,929
Professional expenses				22,320		22,320	21,859
Telephone and communications				4,710		4,710	8,620
Travel and lodging	1,363	985	1,528	512	573	4,961	2,392
Insurance				4,007		4,007	3,470
Utilities				7,875		7,875	5,094
Postage	138	199	99	689	91	1,216	2,733
Vehicle expense	2,853	222	744	136		3,955	3,590
Education and meetings	2,200	338	2,644	8,784	228	14,194	18,362
Events and fees	3,226	16,614	2,909	2,263	39,500	64,512	30,250
Other administrative costs	338	230	314	1,812		2,694	9,775
Total materials and services	363,809	169,142	131,455	138,288	42,184	844,878	681,924
Total expenses before depreciation	511,117	350,171	477,319	361,625	107,343	1,807,575	1,489,429
Depreciation	2,152			5,657		7,809	5,521
TOTAL EXPENSES	\$ 513,269	\$ 350,171	\$ 477,319	\$ 367,282	\$ 107,343	\$ 1,815,384	\$ 1,494,950

See accompanying notes to financial statements

DESCHUTES RIVER CONSERVANCY

STATEMENT OF CASH FLOWS YEAR ENDED SEPTEMBER 30, 2022 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2021)

	Totals	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 27,488	\$ 169,863
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	7,809	5,521
Changes in current assets and liabilities		
Grants and other receivables	175,986	(344,264)
Prepaid expenses	(1,442)	601
Employee note	3,358	3,600
Accounts payable and accrued expenses	(305,621)	375,186
Accrued payroll and related expenses	(9,179)	9,044
Deferred revenue	(190,498)	(79,145)
	(292,099)	140,406
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,367)	(10,172)
	(1,367)	(10,172)
NET CASH USED IN INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH		
	(293,466)	130,234
CASH AND CASH EQUIVALENTS - Beginning of year		
	1,408,547	1,278,313
CASH AND CASH EQUIVALENTS - End of year		
	\$ 1,115,081	\$ 1,408,547

See accompanying notes to financial statements

DESCHUTES RIVER CONSERVANCY

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Deschutes River Conservancy (the Organization), is a multi-stakeholder consensus based organization with a mission to restore stream-flow and improve water quality in the Deschutes River Basin. The Organization's founders recognized the need for a non-profit organization with ecosystem restoration goals and methods focused on positive incentives, consensus and local governance rather than regulation. In March 1996, Senator Mark Hatfield introduced federal legislation authorizing federal agencies to work with this cooperative non-profit organization, then known as the Deschutes Basin Working Group. The federal legislation covered multiple years with fiscal year ended September 30, 2016, as the final year. On December 8, 2016, the Board of Directors agreed to operate outside of the federal legislation.

The Organization's Board of Directors is comprised of the key private and public interests in the Deschutes River Basin. It has representatives from agricultural, tribal, environmental, recreational, municipal, fish and wildlife and hydroelectric interests in central Oregon.

The Organization receives grant funds from state, federal, private foundation and hydro mitigation sources. In addition, as a 501(c)(3) organization, the Organization receives tax-deductible contributions from individuals and corporations. The funds are used to finance stream-flow restoration projects in the Deschutes River Basin using four basic approaches: 1) leasing water rights, 2) permanent water transfers, 3) water conservation and 4) water management agreements.

The Organization has classified the Organization's activities into five major classes of programs: 1) water acquisition and stream flow restoration, 2) mitigation through water transfers, 3) water quality projects, 4) monitoring and 5) consulting.

The Organization was formed as an Oregon nonprofit corporation on November 13, 1996.

Basis of Accounting

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

DESCHUTES RIVER CONSERVANCY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2022

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations which require the Organization 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 the Organization’s management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donor and grantors. Donor restrictions are temporary in nature; those restrictions will be met by the actions of the Organization or the passage of time.

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

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization’s water acquisition, mitigation, restoration and consulting programs.

Use of Estimates

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

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities for the year ended September 30, 2022. Therefore, the Organization has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

DESCHUTES RIVER CONSERVANCY

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value of Financial Instruments

The Organization has not elected to measure financial assets and liabilities using the Fair Value Option for Financial Assets and Financial Liabilities under the *Financial Accounting Standards Board Accounting Standards Codification Topic 825*. The Organization does have financial instruments, which include items such as accounts receivable, grants receivable, and accounts payable that have carrying amounts which approximate fair value at September 30, 2022.

Contributions

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

Consequently, at September 30, 2022, contributions of \$232,007 have not been recognized in the accompanying statement of activities because the condition(s) on which they depend have not yet been met.

Contributed Services

A portion of the Organization's functions and programs are conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the services do not require specialized skills and because the amount is not susceptible to objective measurement or valuation. Contributed professional services have been recorded at fair value as in-kind revenue in the amount of \$5,989 and \$39,764 for the years ended September 30, 2022, and 2021, respectively. For the years ended September 30, 2022, and 2021, the contributed professional services consist of marketing expenses and printing services.

Cash and Cash Equivalents

Cash and cash equivalents for purposes of the statement of cash flows consist of demand deposits, highly liquid investments with an original maturity of three months or less and amounts held by the United States Treasury Department in the Organization's name which are immediately available for use.

Grants and Other Receivables

Grants receivable relate to reimbursement-basis awards from various granting agencies. No allowance for uncollectible amounts was considered necessary.

DESCHUTES RIVER CONSERVANCY

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Grants and Other Receivables – Continued

Other receivables are stated at the amount management expects to collect from outstanding balances. For the year ended September 30, 2022, management has determined that no allowance for uncollectible amounts is necessary and therefore, no valuation allowance has been recorded.

Fixed Assets

Fixed assets are recorded at cost or fair market value on the date of receipt, if donated, and are depreciated using the straight-line method over their estimated useful life of three to ten years. Leasehold improvements are depreciated over the life of the lease. The Organization capitalizes all items with a cost exceeding \$1,000 and an estimated useful life greater than one year. If donors stipulate how long the donated fixed assets must be used, the contributions are recorded as net assets with restrictions when received. In the absence of such stipulations, contributions of fixed assets are recorded as unrestricted support. Fixed assets acquired by the Organization are generally considered owned by the Organization. However, fixed assets purchased with federal funding sources may require the Organization to refund the proceeds from the sale of these assets, if any, to the appropriate federal agency.

Depreciation expenses on fixed assets amounted to \$7,809 and \$5,521 for the years ended September 30, 2022, and 2021, respectively.

Revenue and Revenue Recognition

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are recognized upon performance requirements and/or the incurrence of allowable qualified 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 deferred revenues in the statement of financial position.

Other Income

Other income includes revenue related to administrative support, consulting and miscellaneous income.

Functional Allocation of Expenses

The cost of providing the programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, costs are allocated between fundraising, management and general or program services based on evaluations of the related benefits in accordance with generally accepted accounting principles in the United States of America for non-profit organizations.

DESCHUTES RIVER CONSERVANCY

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Functional Allocation of Expenses – Continued

Program expenses consist of all expenses paid for conservation projects. Management and general expenses include oversight, business management, general recordkeeping, budgeting and other such management and administrative activities that support the projects and the Organization overall. Communications and outreach expenses include newsletter, website and payroll costs related to community discussions involving the Deschutes River. Fundraising expenses include the cost of recruiting volunteers, writing grant applications and conducting other activities to solicit contributions from individuals and other organizations.

Additionally, a schedule of expenses by funding source has been provided. This schedule lists the expenses for each program which include, when appropriate and in accordance with the programs, an allocation of management and general costs.

The expenses that are allocated include the following:

Expense	Method of Allocation
Payroll costs	Direct charge, marketing expenses by total expense
Contracting	Direct charge, marketing expenses by total expense
Irrigation leases	Direct charge, marketing expenses by total expense
Professional fees	Direct charge, marketing expenses by total expense
Supplies and materials	Direct charge, marketing expenses by total expense
Vehicle expenses	Direct charge, marketing expenses by total expense
Events and fees	Direct charge, marketing expenses by total expense
Insurance	Direct charge
Printing and publications	Direct charge, marketing expenses by total expense
Office Rent and Utilities	Direct charge
Depreciation	Direct charge
Other	Direct charge, marketing expenses by total expense

Advertising Costs

Deschutes River Conservancy expenses the costs of advertising the first-time advertising takes place. Advertising expense was \$2,520 and \$2,559 for the years ended September 30, 2022, and 2021, respectively.

Compensated Absences

The Organization accrues vacation pay when earned. Accrued but unused vacation for the years ended September 30, 2022, and 2021, totaled \$23,408 and \$29,101, respectively, and is included in accrued payroll and related expenses on the accompanying Statement of Financial Position.

DESCHUTES RIVER CONSERVANCY

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Administration Support Contract

The Organization provides bookkeeping, administrative and technology support to the Upper Deschutes Watershed Council (UDWC). The Organization has entered into an agreement with UDWC and received \$62,946 and \$53,604 for the years ending September 30, 2022, and 2021, respectively. The income has been recorded as "other income" and the costs are included in "salaries and wages". The Organization does not exercise a significant control over UDWC.

Upper Deschutes Watershed Council reimburses the Organization for a portion of the annual lease payments, which is recorded as a rental income. For the years ended September 30, 2022, and 2021, the Organization received \$28,375 and \$27,548, respectively from Upper Deschutes Watershed Council. This resulted in net rent expense of \$37,611 and \$41,535 for the years ended September 30, 2022, and 2021, respectively.

Comparative Information

The financial statements and notes to the financial statements include certain prior year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2021, from which the summarized information was derived.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

New Accounting Pronouncement

In February of 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)". This ASU amends existing guidance for recognizing lease assets and liabilities under accounting principles generally accepted in the United States of America (U.S. GAAP). ASU 2020-05 also deferred for one year the required effective date of Topic 842. This ASU will be effective beginning with the Organization's fiscal year ended September 30, 2023, at which point the Organization will adopt the new standard.

DESCHUTES RIVER CONSERVANCY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2022

NOTE 2 – AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets at September 30:

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	\$ 1,115,081	\$ 1,408,547
Accounts receivable and other receivables	96,836	154,657
Grants receivable	<u>324,725</u>	<u>442,890</u>
 Total financial assets	 <u>1,536,642</u>	 <u>2,006,094</u>
 Less amounts not available to be used within one year:		
Net assets with donor restrictions	104,661	155,946
Funds designated by the board	232,861	232,861
Net assets with purpose restrictions to be met within the year	<u>254,193</u>	<u>789,416</u>
 Total amounts not available:	 <u>591,715</u>	 <u>1,178,223</u>
 Financial assets available to meet general expenditures within one year	 <u>\$ 944,927</u>	 <u>\$ 827,871</u>

As part of the Organization’s liquidity plan, excess cash is invested in short-term investments, including money market accounts and short-term cash equivalents. It is also the Organization’s policy to maintain a cash reserve sufficient to fund 70% of annual budgeted operating expenses.

NOTE 3 – CASH AND CASH EQUIVALENTS

The Organization maintains deposit accounts which can, at times, exceed federally insured limits of \$250,000. To eliminate the Organization’s exposure to significant risk related to deposits over the FDIC coverage, the Organization has opened accounts in several banks and monitors the balances so that they are below the \$250,000 limit. Additionally, the Organization uses a “sweep” for their checking account. On each business day, deposit balances over \$100,000 are swept from the checking account to the bank’s pooled collateral investments. The investments include government mortgage-backed securities such as Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) securities. A portion of the Organization’s deposits may not be insured or collateralized at various times. The Organization’s cash balances in excess of FDIC limits total \$644,879 and \$806,020 at September 30, 2022, and 2021, respectively.

DESCHUTES RIVER CONSERVANCY

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 3 – CASH AND CASH EQUIVALENTS – CONTINUED

Cash consisted of the following amounts at September 30:

	<u>2022</u>	<u>2021</u>
First Interstate checking	\$ 730,275	\$ 921,710
First Interstate money market	134,425	134,310
Umpqua Bank money market	249,957	249,882
US Bank money market		102,269
LPL Investment Account	100	100
Cash on hand	324	276
	<u>\$ 1,115,081</u>	<u>\$ 1,408,547</u>

NOTE 4 – GRANTS AND OTHER RECEIVABLES

At September 30, 2022, and 2021, grants and other receivables consisted of the following:

	<u>2022</u>	<u>2021</u>
Grants receivable	\$ 324,725	\$ 442,890
Other receivables	96,836	154,657
Total grants and other receivables	<u>\$ 421,561</u>	<u>\$ 597,547</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Furniture, fixtures and equipment	\$ 35,458	\$ 39,153
Leasehold improvements	8,757	8,757
Assets not yet placed in service		1,713
	44,215	49,623
Accumulated depreciation	<u>(27,366)</u>	<u>(26,332)</u>
	<u>\$ 16,849</u>	<u>\$ 23,291</u>

DESCHUTES RIVER CONSERVANCY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2022

NOTE 6 – DEFERRED REVENUES

The following table provides information about significant changes in the contract liabilities for the year ended September 30, 2022:

Deferred grant revenue, beginning of year	\$ 422,505
Revenue recognized that was included in deferred revenue at the beginning of year	(152,003)
Decrease in deferred revenue due to satisfaction of donor restrictions	<u>(38,495)</u>
Deferred grant revenue, end of year	<u>\$ 232,007</u>

NOTE 7 – LEASING ACTIVITIES

Office Space Lease

The Organization leases office space in Bend, Oregon, under an operating lease expiring December 31, 2023. Rent payments for the years ended September 30, 2022, and 2021, were \$65,896 and \$69,083, respectively.

Copier Lease

A copier machine is held by the Organization under an operating lease through August 31, 2023. Minimum monthly payments vary and include additional charges based on equipment usage. Base rents paid under the lease are \$106 per month.

Future Minimum Annual Lease Payments

At September 30, 2022, the future minimum annual lease payments under all operating leases are as follows:

Year ending September 30,

2023	\$ 67,110
2024	<u>16,607</u>
	<u>\$ 83,717</u>

DESCHUTES RIVER CONSERVANCY

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 8 – EMPLOYEE RETIREMENT PLAN

The Organization offers a tax-sheltered annuity (TSA) retirement plan under Internal Revenue Code Section 403(b), which is available to all employees. Employees may contribute a portion of the qualified wages, subject to a limit under the Code.

In addition to employee contributions, the Organization makes discretionary contributions on behalf of all eligible employees. To be eligible, employees must normally work more than 20 hours per week and have at least 1,000 hours of services during the twelve-month period following date of hire. All contributions immediately vest at 100%. IRS contributions limits apply. The Organization's contributions for the years ended September 30, 2022, and 2021, amounted to \$52,541 and \$47,325, respectively.

NOTE 9 – NET ASSETS

Net assets without donor restrictions were as follows for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 726,443	\$ 647,670
Board designated	<u>232,861</u>	<u>232,861</u>
	<u>\$ 959,304</u>	<u>\$ 880,531</u>

DESCHUTES RIVER CONSERVANCY

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 9 – NET ASSETS – CONTINUED

Net assets with donor restrictions included the following as of September 30:

	2022	2021
Anjulicia Foundation	\$ 10	\$ 85
Avion Blue Water	(1,676)	
Bella Vista 2022	30,251	21,665
COIC: DBWC		5,595
Deschutes County: DBWC	10,000	
DBBC: HCP Crooked	16,000	8,000
DBBC: HCP Whychus	12,000	6,000
Deschutes Brewery		796
Laird Norton 2015	585	585
Meyer Operation Grant	1,388	1,388
Meyer Memorial Trust 2020	25,683	
Oregon Community Foundation	1,460	110,965
PGE: Environmental Stewardship	7,500	
PGE: Project Zero	664	867
The Deschutes Brewery	796	
	\$ 104,661	\$ 155,946

Net assets released from restrictions included:

	2022	2021
Satisfaction of purpose restrictions		
Anjulicia Foundation	\$ 75	\$ 2,415
Avion Blue Water	13,944	13,450
Bella Vista 2020	23,270	
Bella Vista 2022	39,749	14,169
COIC: DBWC	5,595	1,905
Deschutes County: DBWC	10,000	10,000
Meyer Memorial Trust 2020	85,283	49,035
North Unit Irrigation District: Water Bank	11,300	815
Oregon Community Foundation: DBWC	13,540	4,843
Pebbles Oakes Foundation	1,000	
PGE: Project Zero	5,203	3,133
Roundhouse: Water Bank	2,000	
	\$ 210,959	\$ 99,765

DESCHUTES RIVER CONSERVANCY

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Under the terms of some grant agreements, Deschutes River Conservancy is required to match the funding it receives on a dollar-for-dollar basis. These matching commitments are in the normal course of business.

Tax Positions

The Organization is exempt from federal and state income taxes, with the exception of federal taxes for net profits on unrelated business income, under Internal Revenue Code Section 501(c)(3). Regarding uncertain income tax positions, the Organization will recognize in its financial statements the benefit of a tax position when it believes that tax position will more likely than not be sustained on audit, based on the technical merits of the position. For an exempt organization, uncertain tax positions could result from unrelated business income activities or actions that jeopardize its status as tax-exempt, such as political activity, substantial lobbying expenditures or excessive unrelated business activities. The Organization has concluded that it had no unrecognized income tax benefits at September 30, 2022, and 2021, and it has no tax positions for which it estimates a significant change over the next twelve months.

The Organization is subject to examination by state and federal tax authorities. With few exceptions, the Organization is no longer subject to examination by major taxing authorities for years before 2018.

NOTE 11 – CREDIT RISK, CONCENTRATIONS AND CONTINGENCIES

Reimbursement claims and revenue from various grant programs may be subject to further audit and adjustment by grantor agencies. Disallowed claims could become a liability to be paid from net assets without restrictions. Any such amounts are not expected to be significant.

The Organization receives a substantial amount of its support from several agencies. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's programs and activities.

The Organization has credit risk arising from grant receivable and other receivables. The maximum amount of potential loss at September 30, 2022, equals the grants and other receivables balance of \$421,561.

DESCHUTES RIVER CONSERVANCY

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 12 – RELATED PARTY TRANSACTIONS

The Board maintains a conflict of interest policy which requires a board member who has an interest in a transaction to abstain from voting on the transaction. Due to the nature of the Deschutes River Conservancy's consensus based decision making approach, the Board of Directors involves stakeholders from private and public organizations that provide support for the Organization. Support agreements and payments are in the normal course of business for the Organization.

The Organization has an ongoing agreement with Central Oregon Irrigation District (COID) to carry out contracted services sponsored by the District. The agreement will provide funds to the Organization in the amount of \$53,763, of which \$5,288 was provided in the year ended September 30, 2022. As of September 30, 2022, \$0 was due from COID, and \$43,993 was due to COID for lease payments. The Board of Directors, during the current fiscal year, included a COID representative.

The Organization also receives ongoing support from the U.S. Bureau of Reclamation (BOR) for Water Marketing and Drought Resiliency. The agreements provide for \$400,000 and \$1,360,473 between May of 2019 and December of 2022 and between July of 2022 and September of 2025, respectively. As of the year ended September 30, 2022, \$6,904 and \$9,440 was due from the BOR as reimbursement for water marketing and drought resiliency services, respectively. The Board of Directors, during the current fiscal year, included a BOR representative.

The Organization also has an ongoing agreement with North Unit Irrigation District (NUID) to carry out contracted services sponsored by the District. The agreement provides \$200,000 between August 2022 and June 2023. As of the year ended September 30, 2022, \$30,910 was due from NUID under this agreement. The Board of Directors, during the current fiscal year, included a representative associated with NUID.

The Organization also receives ongoing support from the Oregon Water Resources Department (OWRD) for various projects including water conservation feasibility studies. As of the year ended September 30, 2022, \$62,281 was due from OWRD for current projects. The Board of Directors, during the current fiscal year, included an OWRD representative.

Also, as of the year ended September 30, 2022, \$9,230 was payable to Portland General Electric (PGE) as reimbursement for water conservation and lease programs previously paid by PGE. The Board of Directors, during the current fiscal year, included a PGE representative.

In the normal course of business, the Organization contracts with service providers who are related to board members of Deschutes River Conservancy. The nature of these transactions is to support program goals that require specialized skills. As of September 30, 2022, \$7,488 was payable to contractors with relationships to the Organization's board members.

DESCHUTES RIVER CONSERVANCY

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2022

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 13, 2023, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

DESCHUTES RIVER CONSERVANCY

SCHEDULE OF EXPENSES BY FUNDING SOURCES YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Program	2022	2021
Anjulicia Foundation	\$ 75	\$ 2,415
Avion	31,944	31,131
Bella Vista	63,019	51,055
Bonneville Environmental Foundation	50,024	42,323
Bureau of Reclamation	9,440	
Bureau of Reclamation/COID	81,713	32,472
Central Oregon Intergovernmental Council	29,585	1,905
COID On Farm	5,267	34,881
Columbia Basin Water Transaction Fund - BPA / NFWF	252,886	508,993
Crooked River Watershed Council	32,725	
Deschutes County	17,187	10,000
Ground Water Mitigation Bank (GMB)	116,177	101,367
Intel	10,599	6,921
Lamb Foundation		4,843
Meyer Memorial Trust	85,283	49,849
Natural Resources Conservation Service	125,789	
North Unit Irrigation District	42,193	
Ochoco Irrigation District		107,681
Oregon Community Foundation	13,539	
Oregon Watershed Enhancement Board (OWEB)	195,737	135,643
Oregon Water Resources Department	161,986	
PELTON - PGE/ Warm Springs Tribes	113,465	(50,548)
Portland General Electric: Project Zero	5,203	3,133
US Small Business Administration		122,500
Other Miscellaneous Program Expenses	(7,402)	4,046
Total expenses by funding source	1,436,434	1,200,610
Unrestricted - other	378,950	294,340
Total Expenses	\$ 1,815,384	\$ 1,494,950