MOUNTAINSTAR FAMILY RELIEF NURSERY

Audited Financial Statements

For the Year Ended June 30, 2023

McDONALD JACOBS

McDonald Jacobs
Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
MountainStar Family Relief Nursery

Opinion

We have audited the accompanying financial statements of MountainStar Family Relief Nursery (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of MountainStar Family Relief Nursery as of June 30, 2023, and the changes in 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of MountainStar Family Relief Nursery and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 MountainStar Family Relief Nursery's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 MountainStar Family Relief Nursery'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 MountainStar Family Relief Nursery'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.

Report on Summarized Comparative Information

We have previously audited MountainStar Family Relief Nursery's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 19, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobs, P.C.

Portland, Oregon
November 16, 2023

MOUNTAINSTAR FAMILY RELIEF NURSERY
STATEMENT OF FINANCIAL POSITION
June 30, 2023
(With comparative totals for 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	$ 862,968	$ 681,986
Grants and pledges receivable	588,864	722,586
Prepaid expenses	13,468	13,500
Investments	542,243	430,368
Right-of-use assets	170,899	-
Property and equipment, net	1,205,433	697,638
TOTAL ASSETS	$ 3,383,875	$ 2,546,078
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 180,599	$ 201,161
Note payable	274,081	281,136
Operating lease liabilities	171,396	-
Total liabilities	626,076	482,297
Net assets:		
Without donor restrictions:		
Undesignated	803,375	752,056
Board designated	267,214	258,737
Net property and equipment	931,352	416,502
Total without donor restrictions	2,001,941	1,427,295
With donor restrictions	755,858	636,486
Total net assets	2,757,799	2,063,781
TOTAL LIABILITIES AND NET ASSETS	$ 3,383,875	$ 2,546,078

See notes to financial statements.

MOUNTAINSTAR FAMILY RELIEF NURSERY
STATEMENT OF ACTIVITIES
For the year ended June 30, 2023
(With comparative totals for 2022)

	2023			
	Without Dono Restrictions	With Donor Restrictions	Total	2022 Total
Support and revenue:				
Contributions and grants	$ 789,648	$ 240,500	$ 1,030,148	$ 1,315,806
Government contracts and grants	2,302,567	165,000	2,467,567	1,609,727
Donated materials	49,884	-	49,884	46,128
Special event revenue, net of direct benefit costs of $109,362 for 2023 and $36,695 for 2022	336,246	-	336,246	304,579
Investment income, net	10,654	10,350	21,004	(8,999)
Net assets released from restrictions:				
Satisfaction of purpose restrictions	289,779	(289,779)	-	-
Endowment appropriation	6,699	(6,699)	-	-
Total support and revenue	3,785,477	119,372	3,904,849	3,267,241
Expenses:				
Program services	2,708,883	-	2,708,883	2,286,544
Management and general	257,575	-	257,575	124,078
Fundraising	314,815	-	314,815	152,091
Total expenses	3,281,273	-	3,281,273	2,562,713
Change in net assets before non-operating activities	504,204	119,372	623,576	704,528
Non-operating activities:				
Insurance proceeds	70,442	-	70,442	-
Change in net assets	574,646	119,372	694,018	704,528
Net assets:				
Beginning of year	1,427,295	636,486	2,768,309	1,359,253
End of year	$ 2,001,941	$ 755,858	$ 3,462,327	$ 2,768,309

See notes to financial statements.

MOUNTAINSTAR FAMILY RELIEF NURSERY
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2023
(With comparative totals for 2022)

	Program Services	Management and General	Fundraising	2023 Total	2022 Total
Salaries and related expenses	$ 1,928,379	$ 206,023	$ 251,807	$ 2,386,209	$ 1,870,591
Occupancy	126,687	8,837	10,801	146,325	118,581
Program supplies and food	191,139	9,175	11,214	211,528	156,227
Office and facility expenses	50,826	1,943	2,375	55,144	45,223
Professional fees	89,825	9,529	11,647	111,001	142,868
Community outreach	71,986	2,841	3,472	78,299	30,760
Advertising	34,669	3,681	4,499	42,849	38,553
Licenses, dues and fees	49,226	5,073	6,201	60,500	44,027
Travel, meetings and development	90,914	3,962	4,842	99,718	54,449
Special event expenses	-	-	109,362	109,362	36,695
Insurance	32,695	3,211	3,924	39,830	27,845
Depreciation	29,333	3,300	4,033	36,666	20,002
Other operating costs	13,204	-	-	13,204	13,587
	2,708,883	257,575	424,177	3,390,635	2,599,408
Direct costs of special events netted with revenue	-	-	(109,362)	(109,362)	(36,695)
Total expenses	$ 2,708,883	$ 257,575	$ 314,815	$ 3,281,273	$ 2,562,713

See notes to financial statements.

MOUNTAINSTAR FAMILY RELIEF NURSERY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2023
(With comparative totals for 2022)

	2023	2022
Cash flows from operating activities:		
Cash received from donors and special events	$ 1,313,437	$ 1,466,217
Cash received from government grants and contracts	2,763,653	1,356,227
Cash received from investments and other income	9,066	2,153
Cash received from insurance proceeds	70,442	-
Cash paid to employees and suppliers	(3,236,380)	(2,447,478)
Cash paid for operating leases	(72,916)	-
Cash paid for interest	(13,204)	(13,587)
Net cash flows from operating activities	834,098	363,532
Cash flows from investing activities:		
Purchase of property and equipment	(544,506)	(268,057)
Distribution from endowment	6,699	9,058
Purchases of investments, net	(108,254)	(7,054)
Net cash flows from investing activities	(646,061)	(266,053)
Cash flows from financing activities:		
Contributions restricted to endowment	-	1,281
Principal payments on long-term debt	(7,055)	(6,729)
Net cash flows from financing activities	(7,055)	(5,448)
Net change in cash and cash equivalents	180,982	92,031
Cash and cash equivalents - beginning of year	681,986	589,955
Cash and cash equivalents - end of year	$ 862,968	$ 681,986
Supplemental cash flow information:		
Noncash investing and financing activities:		
Obtaining right-of-use assets in exchange for lease liabilities	$ 240,639	$ -

See notes to financial statements.

1. DESCRIPTION OF ORGANIZATION

MountainStar Family Relief Nursery (the Organization), is located in Bend, Oregon. The Organization operates Relief Nursery programs in Deschutes, Jefferson, and Crook counties.

The Organization's mission is to prevent child abuse and neglect through community support and therapeutic services that help vulnerable children and families succeed. The Organization is the only program in the region providing therapeutic classrooms, parenting education services, and family support targeted at protecting babies and toddlers who are at significant risk for abuse and neglect. Support and revenue is provided by government contracts and grants and contributions from foundations, individuals, and businesses.

The Organization's major programs are as follows:

Relief Nursery services provide crisis intervention and ongoing services to high-risk families. Families are served through the Therapeutic Early Childhood Program (TECP) or the Outreach/Safety Net Program (OSNP). TECP includes four age specific therapeutic classrooms and the OSNP covers all other families who are not enrolled in TECP. To further meet the needs of client families in crisis, the Organization has regular child assessments, home visitations, transportation services, emergency food boxes, services for limited English-speaking families, and mental health services. TECP is available at sites in Bend, Madras, Prineville, and Redmond. OSNP is available in all of those communities as well as La Pine and Warm Springs.

Preschool Promise began in Fall 2020 and offers publicly funded preschool slots for low to moderate income families. The goal is to provide early intervention that builds healthy, successful, and resilient children; strengthens parents; and preserves families through comprehensive and integrated early childhood and therapeutic family support services. These first classrooms are in Bend, Madras, and Prineville. Preschool Promise classrooms are available in Bend, Madras, Prineville, and Redmond.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents. Cash at June 30, 2023 and 2022 includes $755 and $1,281, respectively, held for the donor-restricted endowment.

Grants and Pledges Receivable

Grants and pledges receivable are reported at the amount management expects to collect on balances outstanding at year-end. Pledges due beyond one year, if material to the financial statements, are reported at the present value of their net realizable value, using a reasonable discount rate applicable to the years in which the promises are to be received. Management considers history with donors, and current economic and industry trends when determining the collectability of specific accounts. As a result, management determined that an allowance for doubtful accounts is not necessary.

Investments

Investments are carried at fair value. Investment income earned on donor restricted endowment investments is reported as an increase in net assets with donor restrictions until appropriated for expenditure.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Leases

The Organization determines if an arrangement is or contains a lease at inception. Under FASB ASC 842, *Leases*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. The Organization has made an accounting policy election to use a risk-free rate of return in lieu of its incremental borrowing rate to discount future lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option.

The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Property and Equipment

Acquisitions of property and equipment in excess of $2,500 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Depreciation

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 39 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition

Revenues from various sources are recognized as follows:

Contributions and Grants: Contributions and grants, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Government Contracts and Grants: Government contracts and grants are conditioned upon certain performance requirements and/or incurring 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 deferred revenue in the statement of financial position.

The Organization has been awarded cost-reimbursable grants of approximately $77,000 for the period through December 2024 that have not been recognized at June 30, 2023 because qualifying expenditures have not yet been incurred.

Donated Materials and Services: Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donation to a specific purpose.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Special Events: The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. Sponsorships are recorded as revenue at the time of the commitment unless commensurate value is included a part of the agreements. The portion of the sponsorship revenue that relates to commensurate value of the sponsor received in return is recognized when the related events are held and performance obligations are met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Functional Expenses
The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocation methodology and associated expenses that are allocated include:

- Estimates of time and effort - salaries and related expenses, advertising, depreciation
- Estimated usage – office and facility, licenses, dues and fees, insurance

Advertising Costs
Advertising costs are expensed as incurred, and approximated $43,000 and $38,600 during the years ended June 30, 2023 and 2022, respectively.

Income Tax Status
MountainStar Family Relief Nursery is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC Topic 740 *Accounting for Uncertainty in Income Taxes.* Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Use of Estimates
The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Summarized Financial Information for 2022
The financial information as of June 30, 2022 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Subsequent Events
The Organization has evaluated all subsequent events through November 16, 2023, the date the financial statements were available to be issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

New Accounting Standard

Effective July 1, 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to restate the comparative period (2022). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Organization recognized right-of-use assets and lease liabilities of $127,789 in its statement of financial position as of July 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended June 30, 2023.

3. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

Financial assets available for general expenditure consist of the following at June 30, 2023 and 2022:

	2023	2022
Cash and cash equivalents	$ 862,968	$ 681,986
Grants and pledges receivable	588,864	722,586
Investments	542,243	430,368
Total financial assets	1,994,075	1,834,940
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	755,858	636,486
Board designations	267,214	258,737
Financial assets available for general expenditure	$ 971,003	$ 939,717

Net assets designated by the board for replacement of property and equipment and an operating reserve may be spent, if necessary, with board approval. (See Note 10).

4. GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable are unsecured and consist of the following at June 30, 2023 and 2022:

	2023	2022
Government grants receivable	$ 435,364	$ 449,586
Pledges receivable	153,500	273,000
Total grants and pledges receivable	$ 588,864	$ 722,586

Pledges receivable are expected to be collected as follows at June 30, 2023 and 2022:

	2023	2022
Within one year	$ 153,500	$ 186,500
Within two to five years	-	86,500
Total pledges receivable	$ 153,500	$ 273,000

As of June 30, 2023, conditional grants receivable approximating $231,000 have not been recognized in the accompanying statement of activities, because $86,500 is contingent on raising additional contributions of $130,000 by June 2025, $50,000 is contingent on raising additional contributions of $50,000 by June 2024, and $94,500 is contingent on meeting certain performance outcomes within 24 months of the project's operational date, which has not yet commenced. The grants will be recorded as revenue when the conditions have been met.

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following at June 30, 2023 and 2022:

	2023	2022
Operating savings:		
Cash and cash equivalents	$ 100,273	$ -
Board reserve:		
Cash and cash equivalents	267,214	258,737
Endowment:		
Beneficial interest in assets held by OCF	174,756	171,631
Total investments	$ 542,243	$ 430,368

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS, Continued

Beneficial interest in assets held by Oregon Community Foundation (OCF) consists of a donor-restricted endowment. The Organization's fund is pooled with other assets managed by OCF which are invested in a mixture of equities, fixed-income instruments, alternative investment classes, and cash, which are reflected at fair value. Under the terms of the agreement, variance power has been granted to OCF, however, the Organization is the beneficiary of the fund and the transfer is reciprocal in nature. Also, under the terms of the agreement, OCF shall distribute not less than annually, a percentage of the fair value of the fund as determined by the board of directors of OCF. However, in no event will the percentage be less than a reasonable rate of return. See Note 12, Endowment.

<u>Fair Value Measurements</u>
Assets and liabilities, including investments (excluding cash and cash equivalents), are recorded at fair value in the statement of financial position and are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair value for the beneficial interest in assets held by OCF are Level 3 and are valued at the net asset value per unit as provided by OCF trustees. Net asset value is based on fair value of the underlying assets of the funds using quoted market prices when available determined using a market approach. Quoted market prices are not available for certain alternative investment classes, such as limited partnership investments. The valuations for limited partnership investments are based on the net asset value of OCF's ownership interest in the partners' capital which includes assumptions and methods that were prepared by the general partners of the limited partnerships and were reviewed by OCF.

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS, Continued

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) include beneficial interest in assets held by OCF:

	2023	2022
Balance at beginning of year	$ 171,631	$ 189,378
Contributions	-	1,281
Dividends and interest	1,122	1,182
Fees	(1,618)	(1,546)
Distributions	(6,699)	(9,058)
Change in value	10,320	(9,606)
Balance at end of year	$ 174,756	$ 171,631

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2023 and 2022:

	2023	2022
Land	$ 155,500	$ 155,500
Buildings	289,160	289,160
Furniture and equipment	17,822	17,822
Vehicles	218,205	222,007
Construction in progress	693,525	149,018
	1,374,212	833,507
Accumulated depreciation	(168,779)	(135,869)
Property and equipment, net	$ 1,205,433	$ 697,638

Construction in progress represents capital projects to renovate facilities in Redmond and LaPine, Oregon with approximate costs to complete of $365,000.

7. NOTE PAYABLE

Note payable consists of a mortgage payable to Mid Oregon Federal Credit Union. Payments are due in monthly installments of $1,688, including interest at 4.75%. A balloon payment of the unpaid balance of principal and interest will be due upon maturity in March 2035. The mortgage is secured by real and personal property and subject to certain non-financial covenants. The balance of the note payable is $274,081 and $281,136 at June 30, 2023 and 2022, respectively.

7. NOTE PAYABLE, Continued

Future maturities are as follows:

Year ending June 30, 2024	$ 7,400
2025	7,759
2026	8,136
2027	8,531
2028	8,945
Thereafter	233,310
	$ 274,081

8. CONTINGENCIES

Amounts received or receivable from various contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Organization if so determined in the future. It is management's belief that no significant amounts received or receivable will be required to be returned in the future.

9. OPERATING LEASES

The Organization evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms.

The Organization's operating leases consist of leases for office space and equipment with remaining lease terms of 1 to 6 years.

One of the property leases included in the ROU and operating lease liability qualifies as a financing lease with the Organization having a purchase option at an agreed upon price before the lease expires in June 2029. Given that the Organization is not certain it will exercise this option and that the purchase price cannot be estimated, this arrangement is included as an operating lease.

The Organization also has short-term leases for storage.

The statement of financial position reflects ROU assets of $170,899 and operating lease liabilities of $171,396 as of June 30, 2023.

9. OPERATING LEASES, Continued

The weighted-average remaining lease term for the Organization's operating leases is approximately 4 years as of June 30, 2023. The weighted-average discount rate applied to calculate lease liabilities as of June 30, 2023 is 3.74%.

The maturities of lease liabilities as of June 30, 2023 are as follows:

Year ending June 30, 2024	$ 73,398
2025	24,207
2026	23,988
2027	22,792
2028	21,600
Thereafter	21,600
	187,585
Less discount/interest	(16,189)
Present value of lease liabilities	$ 171,396

For the year ended June 30, 2023, total operating lease cost of approximately $73,400 and total short-term lease cost of approximately $2,700 are included in occupancy.

Rent expense under FASB ASC Topic 840, *Leases*, (pre-adoption of the new standards) for operating leases totaled $71,600 for the year ended June 30, 2022. The aggregate minimum lease payments under those operating leases as of June 30, 2022, were as follows:

Year ended June 30, 2023	$ 24,000
2024	12,200
Total	$ 36,200

Not included in the prior year disclosure are equipment lease commitments of approximately $25,500 and a property lease of approximately $66,800 effective July 1, 2022.

10. BOARD DESIGNATED NET ASSETS

Board designated net assets totaling $267,214 and $258,737 at June 30, 2023 and 2022, respectively, consist of a reserve for the replacement of furniture, fixtures, and equipment, and an operating reserve.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2023 and 2022:

	2023	2022
Expiring restrictions:		
Endowment earnings (Note 12)	$ 50,368	$ 46,717
La Pine programs	358,499	138,000
Bend programs	-	10,000
Redmond programs	-	2,000
Personnel	120,472	193,500
Mental health services	88,850	115,000
Program supplies	12,000	5,600
Total expiring restrictions	630,189	510,817
Perpetual restrictions:		
Endowment (Note 12)	125,669	125,669
Total net assets with donor restrictions	$ 755,858	$ 636,486

12. ENDOWMENT

MountainStar Family Relief Nursery's endowment consists of a donor-restricted fund which is held at Oregon Community Foundation. As required by U.S. generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the board of directors to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions or board designations.

Interpretation of Relevant Law
The board of directors of the Organization has interpreted Oregon's Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with perpetual restrictions, (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

12. ENDOWMENT, Continued

Interpretation of Relevant Law, Continued
The remaining portion of the donor-restricted endowment fund that is not classified as net assets with perpetual restrictions is classified as net assets with expiring restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Act.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) Organization and the donor-restricted endowment fund purposes
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and investment appreciation
(6) Other resources of the Organization
(7) The investment policies of the Organization

Return Objectives and Risk Parameters
The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as Board designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the Organization rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization has adopted an asset allocation strategy that results in an acceptable risk and return profile while also providing and acceptable probability of achieving the investment objectives over the long-term.

12. ENDOWMENT, Continued

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Organization's endowment funds are partially invested with the Oregon Community Foundation (OCF). The board of directors of OCF determines investment and spending policies of funds held by OCF, which would include the Organization's funds with OCF summarized in Note 5. Currently, the Organization receives bi-annual distributions from its funds held at OCF. The distribution rate, as determined by the board of directors of OCF is currently 4.5% of the average fair market value of the Organization's funds, based on a 13-quarter trailing average.

Changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	With Expiring Restrictions	With Perpetual Restrictions	Total
Endowment net assets - June 30, 2021	$ 65,745	$ 124,388	$ 190,133
Contributions	-	1,281	1,281
Investment loss, net	(364)	-	(364)
Change in value	(9,606)	-	(9,606)
Appropriation for expenditure	(9,058)	-	(9,058)
Endowment net assets - June 30, 2022	46,717	125,669	172,386
Investment loss, net	(496)	-	(496)
Change in value	10,320	-	10,320
Other changes	526		526
Appropriation for expenditure	(6,699)	-	(6,699)
Endowment net assets - June 30, 2023	$ 50,368	$ 125,669	$ 176,037

13. CONTRIBUTED NONFINANCIAL ASSETS

The Organization received approximately $49,900 and $46,100 in supplies included in program services on the statement of functional expenses during the years ended June 30, 2023 and 2022, respectively. Fair market value is determined by the price to purchase similar items, or as provided by the donor.

13. CONTRIBUTED NONFINANCIAL ASSETS, Continued

In addition, the Organization received contributed services from a large number of volunteers. These services were provided by volunteers who contributed an estimated total of 4,400 and 3,800 hours during the years ended June 30, 2023 and 2022, respectively. The value of such services, which do not meet the criteria for recording donated services, has not been recognized in the accompanying financial statements.

14. RETIREMENT PLAN

The Organization allows employees to make voluntary salary reductions to a Simple IRA retirement plan. Full-time and part-time employees scheduled to work at least 20 hours per week are eligible to participate in the plan at open enrollment following a 90-day introductory period. The Organization contributes up to 3% in matching contributions for all eligible employees. All contributions are fully vested when contributed. Employer contributions approximated $35,100 and $28,900 for the years ended June 30, 2023 and 2022, respectively.

15. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in several financial institutions. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The balances, at times, may exceed the federally insured limit. Balances in excess of insured limits were approximately $564,000 and $426,000 as of June 30, 2023 and 2022, respectively.

The Organization's revenues are concentrated with 57% of total revenues coming from two governmental sources for the year ended June 30, 2023 (44% from one government source for the year ended June 30, 2022). The Organization’s credit risk for receivables is concentrated with 92% of the balance coming from three entities (one government agency and two foundations) at June 30, 2023 (93% from three entities (one government agency and two foundations) at June 30, 2022.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.