

MOUNTAINSTAR FAMILY RELIEF NURSERY

Audited Financial Statements

For the Year Ended June 30, 2021



McDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
MountainStar Family Relief Nursery

We have audited the accompanying financial statements of MountainStar Family Relief Nursery (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MountainStar Family Relief Nursery as of June 30, 2021, 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.

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from the Organization's 2020 financial statements, which were audited by other auditors whose report dated November 12, 2020 expressed an unmodified opinion on those statements.

McDonald Jacoby, P.C.

Portland, Oregon
January 19, 2022

MOUNTAINSTAR FAMILY RELIEF NURSERY
STATEMENT OF FINANCIAL POSITION
June 30, 2021
(With comparative totals for 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 589,955	\$ 578,616
Grants and pledges receivable	279,504	62,883
Prepaid expenses	3,479	8,300
Investments	441,978	389,959
Property and equipment, net	449,583	409,368
 TOTAL ASSETS	 \$1,764,499	 \$1,449,126
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 117,381	\$ 117,822
Note payable	287,865	294,282
Total liabilities	405,246	412,104
Net assets:		
Without donor restrictions:		
Undesignated	420,969	234,449
Board designated	251,319	251,271
Net property and equipment	449,583	409,368
Total without donor restrictions	1,121,871	895,088
With donor restrictions	237,382	141,934
Total net assets	1,359,253	1,037,022
 TOTAL LIABILITIES AND NET ASSETS	 \$1,764,499	 \$1,449,126

See notes to financial statements.

MOUNTAINSTAR FAMILY RELIEF NURSERY
STATEMENT OF ACTIVITIES
For the year ended June 30, 2021
(With comparative totals for 2020)

	2021			
	Without Donor Restrictions	With Donor Restrictions	Total	2020 Total
Support and revenue:				
Contributions and grants	\$ 476,637	\$ 296,882	\$ 773,519	\$ 744,086
Government contracts and grants	1,486,650	-	1,486,650	1,035,952
Donated materials and services	57,886	-	57,886	53,284
Special event revenue, net of direct benefit costs of \$41,206 for 2021 and \$104,617 for 2020	282,675	-	282,675	438,144
Change in beneficial interest	-	51,321	51,321	3,504
Investment income, net	1,655	-	1,655	-
Net assets released from restrictions:				
Satisfaction of purpose restrictions	252,755	(252,755)	-	-
Total support and revenue	2,558,258	95,448	2,653,706	2,274,970
Expenses:				
Program services	1,960,099	-	1,960,099	1,702,330
Management and general	161,211	-	161,211	153,698
Fundraising	210,165	-	210,165	211,533
Total expenses	2,331,475	-	2,331,475	2,067,561
Change in net assets	226,783	95,448	322,231	207,409
Net assets:				
Beginning of year	895,088	141,934	1,037,022	829,613
End of year	\$ 1,121,871	\$ 237,382	\$ 1,359,253	\$ 1,037,022

See notes to financial statements.

MOUNTAINSTAR FAMILY RELIEF NURSERY
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2021
(With comparative totals for 2020)

	Program Services	Management and General	Fundraising	2021 Total	2020 Total
Salaries and related expenses	\$ 1,343,128	\$ 144,100	\$ 187,858	\$ 1,675,086	1,560,237
Occupancy	124,342	-	-	124,342	147,672
Program supplies and food	170,585	-	-	170,585	112,102
Office and facility expenses	53,494	2,700	3,520	59,714	27,410
Professional fees	67,778	4,670	6,089	78,537	58,105
Community outreach	37,682	-	-	37,682	31,039
Advertising	36,175	3,402	4,433	44,010	15,984
Licenses, dues and fees	28,730	1,792	2,336	32,858	37,281
Travel, meetings and development	44,167	1,834	2,391	48,392	30,571
Special event expenses	-	-	-	41,206	104,617
Insurance	25,713	1,322	1,724	28,759	25,639
Depreciation	12,967	1,391	1,814	16,172	21,521
Other operating costs	15,338	-	-	15,338	-
	<u>1,960,099</u>	<u>161,211</u>	<u>210,165</u>	<u>2,372,681</u>	<u>2,172,178</u>
Direct costs of special events netted with revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,206)</u>	<u>(104,617)</u>
Total expenses	<u>\$ 1,960,099</u>	<u>\$ 161,211</u>	<u>\$ 210,165</u>	<u>\$ 2,331,475</u>	<u>\$ 2,067,561</u>

See notes to financial statements.

MOUNTAINSTAR FAMILY RELIEF NURSERY
STATEMENT OF CASH FLOWS
For the year ended June 30, 2021
(With comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from donors and special events	\$ 901,481	\$ 1,374,494
Cash received from government grants and contracts	1,465,298	1,035,952
Cash received from investments and other income	2,501	5,119
Cash paid to employees and suppliers	(2,281,897)	(2,068,505)
Cash paid for interest	(13,842)	(3,346)
Net cash flows from operating activities	<u>73,541</u>	<u>343,714</u>
 Cash flows from investing activities:		
Purchase of property and equipment	(56,387)	(101,047)
Net additions to investments	(48)	(628)
Net cash flows from investing activities	<u>(56,435)</u>	<u>(101,675)</u>
 Cash flows from financing activities:		
Contributions restricted to endowment	650	14,375
Principal payments on long-term debt	(6,417)	(1,718)
Net cash flows from financing activities	<u>(5,767)</u>	<u>12,657</u>
 Net change in cash and cash equivalents	11,339	254,696
 Cash and cash equivalents - beginning of year	<u>578,616</u>	<u>323,920</u>
 Cash and cash equivalents - end of year	<u>\$ 589,955</u>	<u>\$ 578,616</u>
 Supplemental cash flow information:		
Noncash investing and financing activities:		
Property acquired by incurring debt	<u>\$ -</u>	<u>\$ 296,000</u>

See notes to financial statements.

MOUNTAINSTAR FAMILY RELIEF NURSERY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 community 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.

Enhanced Visitation programs help families after children have been placed in foster care. Parents who no longer have custody of their children are able to spend quality time with their children in a safe, supervised, and home-like environment at the Organization's visitation centers in Bend, Redmond, Madras, and Prineville.

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.

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:

MOUNTAINSTAR FAMILY RELIEF NURSERY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Net Assets, Continued

- *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.

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.

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 5 to 39 years.

MOUNTAINSTAR FAMILY RELIEF NURSERY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

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.

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.

Donated Assets, 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 received approximately \$54,900 and \$53,300 in program supplies during the years ended June 30, 2021 and 2020, respectively.

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.

MOUNTAINSTAR FAMILY RELIEF NURSERY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Donated Assets, Materials and Services, 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 2,900 and 4,800 hours during the years ended June 30, 2021 and 2020, respectively. The value of such services, which do not meet the criteria for recording, has not been recognized in the accompanying consolidated financial statements.

Advertising Costs

Advertising costs are expensed as incurred, and approximated \$44,000 and \$16,000 during the years ended June 30, 2021 and 2020, respectively.

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

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.

MOUNTAINSTAR FAMILY RELIEF NURSERY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

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.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. In addition, net assets at June 30, 2020 totaling \$14,950 originally reflected as without donor restrictions have been reclassified as with donor restrictions.

Summarized Financial Information for 2020

The financial information as of June 30, 2020 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 January 19, 2022, the date the financial statements were available to be issued.

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.

MOUNTAINSTAR FAMILY RELIEF NURSERY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

3. AVAILABLE RESOURCES AND LIQUIDITY, Continued

Financial assets available for general expenditure consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 589,955	\$ 578,616
Grants and pledges receivable	279,504	62,883
Investments	<u>441,978</u>	<u>389,959</u>
Total financial assets	1,311,437	1,031,458
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	237,382	141,934
Board designations	<u>251,319</u>	<u>251,271</u>
Financial assets available for general expenditure	<u>\$ 822,736</u>	<u>\$ 638,253</u>

Net assets designated by the board for replacement of property and equipment and an operating 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Government grants receivable	\$ 260,004	\$ 59,451
Pledges receivable	<u>19,500</u>	<u>3,432</u>
Total grants and pledges receivable	<u>\$ 279,504</u>	<u>\$ 62,883</u>

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Board reserve:		
Cash and cash equivalents	\$ 251,319	\$ 251,271
Endowment:		
Beneficial interest in assets held by OCF	<u>190,659</u>	<u>138,688</u>
Total investments	<u>\$ 441,978</u>	<u>\$ 389,959</u>

MOUNTAINSTAR FAMILY RELIEF NURSERY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

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.

Fair Value Measurements

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 investments held at 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.

MOUNTAINSTAR FAMILY RELIEF NURSERY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

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:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	\$ 138,688	\$ 125,594
Contributions	650	14,375
Dividends and interest	812	891
Fees	(1,496)	(1,189)
Change in value	<u>52,005</u>	<u>(983)</u>
Balance at end of year	<u>\$ 190,659</u>	<u>\$ 138,688</u>

Change in value of the beneficial interest is reported in net assets with donor restrictions.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 155,500	\$ 155,500
Buildings	278,933	222,546
Furniture and equipment	11,102	11,102
Vehicles	<u>119,915</u>	<u>119,915</u>
	565,450	509,063
Accumulated depreciation	<u>(115,867)</u>	<u>(99,695)</u>
Property and equipment, net	<u>\$ 449,583</u>	<u>\$ 409,368</u>

MOUNTAINSTAR FAMILY RELIEF NURSERY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

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 \$287,865 at June 30, 2021 and \$294,282 at June 30, 2020.

Future maturities are as follows:

Year ending June 30, 2022	\$ 6,731
2023	7,057
2024	7,400
2025	7,759
2026	8,136
Thereafter	<u>250,782</u>
	<u><u>\$ 287,865</u></u>

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. LEASE COMMITMENTS

The Organization leases office space in Bend, Prineville, Madras, and LaPine, Oregon with monthly payments ranging from \$116 to \$2,860 and terms expiring through 2024. Rent expense approximated \$77,100 and \$86,700 for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease commitments are as follows:

Year ending June 30, 2022	\$ 71,500
2023	24,000
2024	<u>12,200</u>
Total	<u><u>\$ 107,700</u></u>

MOUNTAINSTAR FAMILY RELIEF NURSERY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

10. BOARD DESIGNATED NET ASSETS

Board designated net assets totaling \$251,319 and \$251,271 at June 30, 2021 and 2020, 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Expiring restrictions:		
Endowment earnings (Note 12)	\$ 66,271	\$ 14,950
Time restricted	-	3,246
Bend programs	15,000	-
Redmond programs	15,000	-
Personnel	15,000	-
Program supplies	1,723	-
Total expiring restrictions	<u>112,994</u>	<u>18,196</u>
Perpetual restrictions:		
Endowment (Note 12)	<u>124,388</u>	<u>123,738</u>
Total net assets with donor restrictions	<u>\$ 237,382</u>	<u>\$ 141,934</u>

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.

MOUNTAINSTAR FAMILY RELIEF NURSERY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

12. ENDOWMENT, Continued

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.

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

MOUNTAINSTAR FAMILY RELIEF NURSERY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

12. ENDOWMENT, Continued

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	<u>With Expiring Restrictions</u>	<u>With Perpetual Restrictions</u>	<u>Total</u>
Endowment net assets - June 30, 2019	\$ 16,231	\$ 109,363	\$ 125,594
Contributions	-	14,375	14,375
Investment income, net	(298)	-	(298)
Change in value	<u>(983)</u>	<u>-</u>	<u>(983)</u>
Endowment net assets - June 30, 2020	14,950	123,738	138,688
Contributions	-	650	650
Investment income, net	(684)	-	(684)
Change in value	<u>52,005</u>	<u>-</u>	<u>52,005</u>
Endowment net assets - June 30, 2021	<u>\$ 66,271</u>	<u>\$ 124,388</u>	<u>\$ 190,659</u>

Investment Return Objectives, Risk Parameters, and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4.5%, while growing the funds if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

MOUNTAINSTAR FAMILY RELIEF NURSERY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
June 30, 2021

13. 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 \$23,400 and \$26,100 for the years ended June 30, 2021 and 2020, respectively.

14. 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 \$365,000 and \$500,000 as of June 30, 2021 and 2020, respectively.

The Organization's revenues are concentrated with 52% of total revenues coming from one governmental source for the year ended June 30, 2021 (21% from one governmental source for the year ended June 30, 2020). The Organization's credit risk for accounts receivable is concentrated with 93% of the balance coming from one government agency at June 30, 2021 (79% from two granting agencies at June 30, 2020.)

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.