

COLUMBIA RIVERKEEPER

FINANCIAL STATEMENTS

Year Ended December 31, 2018



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

COLUMBIA RIVERKEEPER
FINANCIAL STATEMENTS
Year Ended December 31, 2018

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Executive Director's Message

Columbia Riverkeeper (Riverkeeper) achieved major victories for clean water in 2018. Riverkeeper reduced toxic pollution discharges, defeated dangerous fossil fuel terminals, protected key fish and wildlife habitat, and engaged people in hands-on stewardship activities.

How we work

All along the Columbia River, we work with people in dozens of communities—rural and urban—with the same goals: protecting the health of their families and the places they love. We enforce environmental laws to stop illegal pollution, protect salmon habitat, and challenge harmful fossil fuel terminals. Legal work makes a difference. But lawsuits alone do not create the change we need. Change comes when people organize and stand together for something they believe in. Power shifts when conversations around kitchen tables grow into successful campaigns.

Legal and policy

When fossil fuel giants and other polluters roll in, our towns are at a huge disadvantage. The corporations have slick lobbyists, a squadron of attorneys, and consultants who give all the right answers. They do the rounds with local politicians. First they get everything lined up, then they announce the project to the public. Riverkeeper fights back. We are experts on environmental laws and public participation. Our staff features four attorneys and we work closely with dozens of public-interest lawyers. Our staff attorneys went to law school to learn the skills and tools to protect our environment and combat corporate greed. Here's what we do: file public records requests to disclose secrets to the public; ensure fair and public process; support communities through public hearings; and go to court when necessary to stop dangerous terminals, refineries, and pipelines.

Community organizing

If legal work is our compass to navigate harmful proposals, community organizing is our engine. Our work is powered by the brilliant and passionate local people who stand together to protect their communities. Together, we craft strategies, rely on local knowledge, earn media coverage, and turn out smart public testimony. We show our elected officials and government agencies that the right decision is clean water. Riverkeeper's team of professional community organizers are equal parts inspirational leaders, strategists, road warriors, and policy wonks. Our greatest strength is partnering with Columbia River communities to promote positive change.

Coalition building

We are stronger together. Riverkeeper builds coalitions of organizations and people with shared values. We help bring together frontline, labor, faith, business, environmental justice, climate, and conservation communities to protect clean air and water. Our best work features diverse perspectives. Riverkeeper also regularly coordinates with tribal nations. Columbia Riverkeeper is a proud member of several coalitions, including Power Past Coal, Stand Up to Oil, and Power Past Fracked Gas.

Columbia Riverkeeper Program Descriptions

Fighting for Clean Water and Salmon

Riverkeeper protects clean water and salmon by stopping toxic pollution and protecting habitat.

Toxic pollution in the Columbia River basin harms aquatic life and the people that depend on healthy fish and wildlife. Industrial discharges, stormwater pollution, municipal sewage, and illicit dumping are problems that we can address right now. Simply put, the Columbia contains too much toxic pollution. And our state and federal regulators are not solving the problem. Numerous studies show that fish, osprey, otters, and other species face unsafe levels of toxic pollution, such as mercury and other heavy metals, flame retardants, and polychlorinated biphenyls (PCBs). So do humans. Native Americans face a 1 in 50 risk of cancer risk from regularly consuming fish.

Many immigrant and low-income fishers likely fare worse. Low-income urban residents are currently catching and feeding fish to their families that contain unsafe levels of pollution. For example, Riverkeeper tested a sucker caught by a Russian immigrant in Vancouver Lake—the fish contained cancer-causing PCBs 250% over safe levels.

In 2018, Riverkeeper reduced toxic pollution in the Columbia and its tributaries by identifying and stopping illegal pollution, reviewing pollution discharge permits, and advocating to state and federal agencies for better toxic reduction policies.

Riverkeeper researches pollution violations and enforces the Clean Water Act against illegal discharges. Riverkeeper reviews major pollution discharge permits on the Columbia River and submits detailed technical and legal comments to state agencies when appropriate. The comments advocate for pollution reduction and notify the agencies when the pollution permits violate the Clean Water Act. Riverkeeper's actions resulted in less toxic pollution, better treatment or control systems, and greater compliance with the law.

Riverkeeper and the Northwest Environmental Defense Center reached a legal settlement in 2018 that requires the State of Oregon modify its industrial stormwater permit to strengthen protections for rivers. Previously, Oregon's permit did not protect impaired rivers from more toxic pollution. Oregon will also increase corporate accountability by requiring companies to report pollution data four times per year instead of just once. In addition, Oregon will develop an expert committee to assess whether numeric permit limits are feasible. If Oregon adopts numeric limits, instead of the "benchmarks" that most states use today, Oregon's stormwater permit will be the nation's best.

The Hanford Nuclear Site on the Columbia River is the most contaminated place in the western hemisphere. Riverkeeper utilizes public pressure, grassroots organizing, and technical assessment of cleanup plans to advocate for the thorough cleanup of the site. Riverkeeper opposed the federal government's plans to re-label high-level nuclear waste as "low-level" in order to leave it in place, instead of more protective cleanup. Working with Yakama Nation, for example, we helped generate 800 comments to the U.S. Department of Energy from tribal youth and others on and around the Yakama reservation.

Riverkeeper also identifies and protects key salmon habitat in the Columbia basin from industrial development and other threats, including fossil fuel infrastructure (see below), new shipping terminals, and chemical plants. Riverkeeper works to protect ground and surface water from new factory farms in eastern Oregon. For example, thousands of Riverkeeper members and our coalition partners called on Oregon Governor Kate Brown and state agencies to protect the Columbia River and rural communities from factory farm pollution. In July, Oregon revoked the permit of a huge mega-dairy in eastern Oregon that threatened critical groundwater.

In addition, Riverkeeper works to address the hot water crises on the Columbia River. Here is the difficult situation we face: Hot water caused by dams and exacerbated by climate change is killing Columbia and Snake river salmon. The rivers are simply too hot. Puget Sound orcas feed on salmon at the mouth of the Columbia during critical months before childbirth. The lack of salmon causes starving orcas and the tragic loss of orca calves. The federal agencies in charge of the Columbia are not solving the problem. In 2018, Riverkeeper undertook important legal work to protect salmon.

First, Riverkeeper and allies prevailed in court over the U.S. Environmental Protection Agency (EPA) to force the agency to write a comprehensive plan, called a Total Maximum Daily Load, to address the impacts of dams on water temperature and salmon survival. EPA has appealed Riverkeeper's victory to the Ninth Circuit Court of Appeals. Second, after five years of Riverkeeper's strategic litigation, the state of Washington now has the authority—for the first time ever—to force federal dams to keep the Columbia River cool enough for salmon survival.

Protecting our Region from Fossil Fuels

Riverkeeper has worked with tribal nations, local businesses, strong coalitions, and our amazing members to defeat nearly every new fossil fuel infrastructure project on the Columbia River! This includes the nation's largest oil-by-rail shipping terminal and the nation's largest coal export terminal. Western North America has huge fracked gas, oil, and coal reserves, and the Columbia River is a convenient route to ship these fossil fuels to Asia. We stand in the way. Preventing new fossil fuel infrastructure is a critical task to protect our climate. If fossil fuel corporations build new infrastructure—shipping terminals, pipelines, refineries—they will lock us into decades of fossil fuel use at a time when we must rapidly move toward clean energy and fewer petrochemicals.

Riverkeeper is currently challenging plans to build the world's largest fracked-gas-to-methanol refinery in Kalama, WA. The Washington Shorelines Hearing Board ruled that the Port of Kalama violated state law by failing to evaluate the refinery's full greenhouse gas impact. Washington Governor Jay Inslee recently announced his opposition to the methanol refinery after three years of grassroots pressure. In 2018, for example, Riverkeeper, Kalama residents, and non-profit allies generated over 11,000 comments during a 30-day public comment period, held four public meetings for 250 people, and obtained favorable earned media and editorials.

In addition to the Kalama refinery, Riverkeeper is challenging a twin methanol refinery in Port Westward, OR. In 2018, Riverkeeper prevailed in court over the Port's plans to rezone 800 acres of agricultural lands, including blueberry fields and mint farms, to industrial land. This rezoning would have paved the way for the methanol refinery and more industrial development.

Engaging River Communities

Riverkeeper works to engage river communities to make a difference for clean water. We monitor water quality, clean up riparian areas and beaches, conduct outreach to diverse communities, restore habitat, and educate students.

People often ask our staff: "Is it safe to swim?" To answer this question, Riverkeeper provides real-time water quality data for popular swim beaches in Portland, Vancouver, and the Columbia River Gorge. Riverkeeper has been testing the Columbia for E. coli bacteria for over a decade. Our goal is to encourage families to enjoy our rivers safely. Fecal bacteria in water can cause nausea, diarrhea, and infections, especially in children and the elderly. Surprisingly, no local or state agency regularly tests popular Columbia River swim beaches. The City of Portland samples the Willamette in seven locations, while the Oregon Health Authority tests ocean beaches. There is a data gap at the heavily used Columbia River sites. Columbia Riverkeeper fills that gap, while engaging volunteer river stewards. In 2018, Riverkeeper promoted safe swimming and recreating by collecting E. coli bacteria data at nine swim beaches and recreation locations on the Columbia River.

Our data does not sit on a shelf. We post E. coli data through the Swim Guide smartphone app and on our website. The Swim Guide app now has over 3 million users, and in 2018 the E.coli data collected by Columbia Riverkeeper received 291,300 views, a 60% increase over the previous year. Fortunately, E. coli is typically within safe levels, so our data encourage people to enjoy the water.

In addition, Riverkeeper is engaging volunteers and students to restore habitat at the Nichols Natural Area, a former industrial site on the Columbia River in Hood River, OR. The students and community members who help design, implement, and manage the natural area will gain pride and ownership by making a brownfield turn green. At Nichols, learning is not confined by classroom walls. Young students learn to plant trees and inventory bugs. They may solve the mystery of why the Black-crowned Night Herons nest in the Nichols Basin. High school students help plan the restoration site and sample water quality. And students learn how imagination and the power of community can transform our river.

Riverkeeper increased our outreach and engagement efforts to Latino communities in 2018. We launched a Latino environmental leadership group with the goal of protecting the environment and increasing the representation of Latinos in decision making; engaged over 300 Latino students and adults to help restore a high-profile industrial site in the Columbia River Gorge ; and produced twenty bilingual radio shows and podcasts, called *Conoce Tu Columbia* (Know Your Columbia), on environmental and social justice issues.

COLUMBIA RIVERKEEPER

A handwritten signature in black ink that reads "Brett VandenHeuvel". The signature is written in a cursive, flowing style.

Brett VandenHeuvel
Executive Director

To the Board of Directors
Columbia Riverkeeper
Hood River, Oregon

We have audited the accompanying financial statements of Columbia Riverkeeper (a non-profit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Columbia Riverkeeper as of December 31, 2018, 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.

To the Board of Directors
Columbia Riverkeeper

Other Matters

Report on Summarized Comparative Information

We have previously audited Columbia Riverkeeper's 2017 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated August 29, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note B, the Organization adopted the provisions of Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958)*, for the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

A handwritten signature in blue ink that reads "Kim Thompson, LLC". The signature is written in a cursive, slightly slanted style.

Portland, Oregon
June 12, 2019

COLUMBIA RIVERKEEPER
STATEMENT OF FINANCIAL POSITION

December 31, 2018
(With Comparative Totals as of December 31, 2017)

ASSETS

	2018	2017
Cash and cash equivalents	\$ 1,106,986	\$ 1,179,479
Grants, contracts, and contributions receivable	808,849	391,201
Prepaid expenses and other assets	17,007	13,562
Beneficial interest in assets held by others	30,340	-
Property and equipment - net	10,234	7,370
Total assets	\$ 1,973,416	\$ 1,591,612

LIABILITIES AND NET ASSETS

Accounts payable	\$ 34,745	\$ 124,258
Accrued payables	11,400	11,868
Total liabilities	46,145	136,126
Net assets		
Without donor restrictions	909,343	699,419
With donor restrictions	1,017,928	756,067
Total net assets	1,927,271	1,455,486
Total liabilities and net assets	\$ 1,973,416	\$ 1,591,612

See notes to financial statements.

COLUMBIA RIVERKEEPER

STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

(With Comparative Totals as of December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2018	2017
Revenues, gains and other support				
Grants, contributions and memberships	\$ 593,203	\$ 909,438	\$ 1,502,641	\$ 1,603,556
Contracts	87,546	-	87,546	45,631
In-kind contributions	231,890	-	231,890	312,726
Special event revenue, net of expenses of \$9,417 and \$6,472, respectively	2,152	-	2,152	21,603
Legal settlement and mitigation reimbursements	64,734	-	64,734	143,755
Investment income	4,800	(1,509)	3,291	-
Other	-	-	-	12,870
	984,325	907,929	1,892,254	2,140,141
Net assets released from restrictions	646,068	(646,068)	-	-
Total revenues, gains and other support	1,630,393	261,861	1,892,254	2,140,141
Expenses				
Program services				
Fighting for Clean Water and Salmon	430,307	-	430,307	484,673
Protection from Fossil Fuels	347,609	-	347,609	347,698
Engaging River Communities	406,772	-	406,772	344,449
Total program services	1,184,688	-	1,184,688	1,176,820
Supporting services				
Management and general	39,688	-	39,688	33,993
Fundraising	196,093	-	196,093	155,146
Total expenses	1,420,469	-	1,420,469	1,365,959
Change in net assets	209,924	261,861	471,785	774,182
Net assets, beginning of year	699,419	756,067	1,455,486	681,304
Net assets, end of year	\$ 909,343	\$ 1,017,928	\$ 1,927,271	\$ 1,455,486

See notes to financial statements.

COLUMBIA RIVERKEEPER

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018
(With Comparative Totals as of December 31, 2017)

	PROGRAM SERVICES			SUPPORTING SERVICES			Total	
	Fighting for Clean Water and Salmon	Protection from Fossil Fuels	Engaging River Communities	Management and General	Fund-raising		2018	2017
Personnel costs	\$ 149,477	\$ 242,473	\$ 304,616	\$ 23,116	\$ 137,182	\$	\$ 856,864	\$ 697,820
Depreciation	326	565	550	55	780		2,276	805
Dues, licenses and memberships	3,243	22,531	8,086	937	4,979		39,776	17,655
Insurance	599	1,111	2,252	339	643		4,944	5,267
Marketing	106	50	507	495	719		1,877	3,297
Meetings and trainings	705	5,998	9,267	760	-		16,730	17,032
Occupancy	9,233	15,692	18,651	1,500	15,780		60,856	57,608
Supplies	2,184	10,755	15,767	751	5,066		34,523	22,347
Postage and printing	1,101	2,777	23,054	140	21,837		48,909	48,913
Professional services	260,211	38,341	17,738	11,134	6,725		334,149	474,303
Travel	3,122	7,316	6,284	461	2,382		19,565	20,912
	\$ 430,307	\$ 347,609	\$ 406,772	\$ 39,688	\$ 196,093	\$	\$ 1,420,469	\$ 1,365,959

See notes to financial statements.

COLUMBIA RIVERKEEPER
STATEMENT OF CASH FLOWS

Year Ended December 31, 2018
(With Comparative Totals as of December 31, 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 471,785	\$ 774,182
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,276	805
Change in value of beneficial interest held by others	1,509	-
Changes in assets and liabilities:		
Grants, contracts, and contributions receivable	(417,648)	(271,936)
Prepaid expenses and other assets	(3,445)	(4,077)
Accounts payable	(89,513)	102,061
Accrued payable	(468)	5,768
Net cash provided by (used in) operating activities	(35,504)	606,803
Cash flows from investing activities:		
Purchase of beneficial interest held by others	(32,697)	-
Distribution proceeds from beneficial interest held by others	848	-
Purchase of property and equipment	(5,140)	(6,573)
Net cash provided by (used in) investing activities	(36,989)	(6,573)
Net change in cash and cash equivalents	(72,493)	600,230
Cash and cash equivalents, beginning of year	1,179,479	579,249
Cash and cash equivalents, end of year	\$ 1,106,986	\$ 1,179,479

See notes to financial statements.

COLUMBIA RIVERKEEPER
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE A – DESCRIPTION OF ORGANIZATION

Columbia Riverkeeper (Riverkeeper, or the Organization) was incorporated in the state of Washington as a non-profit corporation in 1989. Its goal is to protect the water quality of the Columbia River and all life connected from the headwaters to the Pacific Ocean. Riverkeeper utilizes community organizing, public education, policy work, and the enforcement of environmental laws to promote a healthy Columbia River. Support is provided to Riverkeeper through contributions from individuals and businesses, foundation support, grants and other fees.

During the fiscal year, Riverkeeper supported the following:

Fighting for Clean Water and Salmon – Riverkeeper protects clean water and salmon by stopping toxic pollution and protecting habitat. Riverkeeper reviews pollution discharge permits, enforces environmental laws, and advocates to state and federal agencies for better toxic reduction policies.

Protection from Fossil Fuels – Riverkeeper leads the effort to protect the Columbia River and river communities from an onslaught of coal, oil, and fracked gas shipping terminals and refineries that threaten aquatic ecosystems, public health, and our climate. To achieve this, Riverkeeper integrates community organizing, enforcement of environmental laws, and hands-on citizen action.

Engaging River Communities – Riverkeeper works to engage river communities to make a difference for clean water. Riverkeeper staff and volunteers monitor water quality, clean up riparian areas and beaches, conduct outreach to diverse communities, restore habitat, and educate students.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncement

During the fiscal year ended December 31, 2018, the Organization implemented *Accounting Standards Update No. 2016-14, Not-for-Profit Entities Topic 958 (“ASU 2016-14”)*. This standard revised the net asset classification requirements and information presented in financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. As a result of the implementation of ASU 2016-14, net assets and transactions are now presented in two categories (with donor restrictions and without donor restrictions) instead of three (unrestricted, temporary, and permanent). Additionally, disclosures regarding liquidity have been added and the expansion of disclosures regarding cost allocation methodology and the nature of donor restrictions and endowment funds have been made.

COLUMBIA RIVERKEEPER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Pronouncement (Continued)

The implementation of ASU 2016-14 had no impact on total beginning net assets, although it affected individual net asset classes as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets at December 31, 2017, as previously reported			
Unrestricted	\$ 699,419	\$ -	\$ 699,419
Temporarily restricted	-	723,370	723,370
Permanently restricted	<u>-</u>	<u>32,697</u>	<u>32,697</u>
	<u>\$ 699,419</u>	<u>\$ 756,067</u>	<u>\$ 1,455,486</u>

Financial Statement Presentation

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

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

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

Contributions

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

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. As of December 31, 2018, the Organization had \$200,000 of such promises to give.

COLUMBIA RIVERKEEPER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

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

Interpretation of Relevant Law Over Endowments

The Organization has interpreted Oregon's adoption of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the Organization to adopt investment and spending policies that preserve the fair value of the original endowed gift as of the date of the gift, absent explicit donor restrictions to the contrary. Although the Organization has a long-term fiduciary duty to the donor (and others) for a fund of perpetual duration, the preservation of an endowment's purchasing power is only one of several factors that are considered in managing and investing these funds. Furthermore, in accordance with UPMIFA, a portion of an endowment's historic dollar value may be appropriated for expenditure in support of the designated purposes of the endowment if this is consistent with a spending policy that otherwise satisfies the requisite standard of prudence under UPMIFA.

As a result of this interpretation, the Organization classifies as endowment principal (1) the original value of gifts donated to the endowment, (2) subsequent gifts to the endowment, and (3) accumulations made pursuant to the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In general, investment returns on the Organization's endowment are available for retention or appropriation based on the same prudent standards and policies established by the Board of Directors and, therefore, are classified as accumulated endowment return until the returns are appropriated for expenditure by the Board of Directors and, if the use of the investment return is restricted by the donor, until the restriction has also been satisfied. Any investment return classified as accumulated endowment return represents only those amounts required to be retained as a result of explicit donor stipulations.

In the absence of donor stipulations or law to the contrary, losses or appropriations of a donor-restricted endowment reduce accumulated endowment return to the extent that that donor-imposed restrictions on net appreciation of the fund have not been satisfied before the loss or appropriation occurs. Any remaining loss or appropriation reduces endowment principal.

Endowments with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowments may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In addition, the Organization's Board of Directors interprets UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law, and the Organization has a policy that permits spending from underwater endowment funds depending on the degree to which the funds are underwater. Endowment funds underwater at December 31, 2018 were \$2,357.

COLUMBIA RIVERKEEPER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Endowment Investment and Spending Policies

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

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

Property and Equipment

Property and equipment is recorded at cost. Donated equipment is recorded at fair market value at the date received. Depreciation is computed on the straight-line method over the following estimated useful lives:

Furniture and equipment	5 years
Boat	10 years

Maintenance and repairs are expensed when incurred. Betterments and renewals in excess of \$500 are capitalized.

Income Taxes

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

Cash and Cash Equivalents

The Organization considers all liquid investments having initial maturities of three months or less to be cash equivalents.

COLUMBIA RIVERKEEPER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

All contributions and grants are considered available for unrestricted use unless specifically restricted by a donor. Contract revenues are recognized at the time services are provided and the revenues are earned. Membership payments received from the Organization's members are considered equivalent to unrestricted contributions and are recognized as revenue when received. The Organization makes an annual determination of the adequacy of the allowance for uncollectible grants and contracts receivable. Management believes no allowance is required as of December 31, 2018.

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been summarized in the statement of Activities. Directly identifiable expenses are charged to programs and supporting services when incurred. Certain costs, including office expense, occupancy, leases and utilities have been allocated among the programs and supporting services benefited based primarily on estimates of time and effort.

Financial Instruments With Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalents. Interest bearing accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Uninsured balances at December 31, 2018 totaled \$614,364.

Prior Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Reclassifications

Certain prior year balances in the accompanying financial statements have been reclassified to conform to the current year presentation.

COLUMBIA RIVERKEEPER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE C – GRANTS RECEIVABLE

During the year the Organization was awarded a multi-year grant. Management has determined that the effect of an imputed interest rate not to be material to the financial statements, and thus has not discounted the grant to present value. Grants receivable consist of the following at December 31, 2018:

Grants receivable expected to be collected in:	
Less than one year	\$ 508,849
One to five years	<u>300,000</u>
	<u>\$ 808,849</u>

NOTE D – PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2018 is as follows:

Furniture and equipment	\$ 18,891
Boat	<u>15,693</u>
	34,584
Less accumulated depreciation	<u>(24,350)</u>
	<u>\$ 10,234</u>

Depreciation expense for the year ended December 31, 2018 amounted to \$2,276.

NOTE E – FAIR VALUE MEASUREMENTS

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE E – FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value of the beneficial interest in assets held by others is determined by the Organization's endowment partner, OCF, and is based upon the Organization's proportionate interest in OCF's endowment partner fund liability after adjustments for contributions and distributions made during the year. OCF's endowment partner fund liability is stated at fair value, which is generally equivalent to the present value of future payments expected to be made to the endowment partners.

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

Fair values of assets measured on a recurring basis at December 31 were as follows:

	<u>Level 3</u>	<u>Fair Value Total</u>
Beneficial interest in assets held by others	\$ <u>30,340</u>	\$ <u>30,340</u>

For the year ended December 31, 2018, the change in investments classified as Level 3 is as follows:

Balance, December 31, 2017	\$ -
Contributions invested	32,697
Total gains, losses, and interest included on the Statement of Activities	(1,509)
Distribution received	<u>(848)</u>
Balance, December 31, 2018	<u>\$ 30,340</u>

NOTE F – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

During 2018, \$32,697 was transferred to the Oregon Community Foundation (OCF). Variance power was not granted to OCF unless the Organization ceases to exist or loses its tax-exempt status, and distributions in the amount of a reasonable rate of return determined by OCF will be distributed to the Organization each year.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE G – RESTRICTED AND ENDOWMENT NET ASSETS

The Organization's net assets with donor restrictions are subject to the following purpose or time restrictions as of December 31, 2018:

Subject to purpose restrictions:	
Fossil fuel initiatives	\$ 137,214
Water quality initiatives	59,512
River Communities	<u>24,195</u>
	<u>220,921</u>
Subject to time restrictions:	<u>766,667</u>
Not subject to appropriation or expenditure:	
Endowment fund	<u>30,340</u>
	<u>30,340</u>
Total net assets with donor restrictions	<u>\$ 1,017,928</u>

The Organization's endowment includes donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment are classified and reported based on the existence or absence of donor imposed restrictions.

The following summarizes the Organization's endowment-related activities for the year ended December 31, 2018:

	With Donor Restrictions		
	Accumulated Endowment Return	Endowment Principal	Total Endowment
Endowment net assets at beginning of year	\$ -	\$ 32,697	\$ 32,697
Appropriation by the Board for expenditures	(848)	-	(848)
Net increase (decrease) in the beneficial interest in assets held by the Oregon Community Foundation	<u>(1,509)</u>	<u>-</u>	<u>(1,509)</u>
Endowment net assets at end of year	<u>\$ (2,357)</u>	<u>\$ 32,697</u>	<u>\$ 30,340</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE H – IN-KIND CONTRIBUTIONS

A number of unpaid volunteers provide significant contributions of their time to develop and implement the Organization's programs. There were approximately 6000 volunteered hours during the year ended December 31, 2018. Amounts recognized on the statement of activities are limited to the significant services received which create or enhance a nonfinancial asset or require specialized skills that the Organization would have purchased if not donated. During the year ended December 31, 2018, the Organization recognized \$229,609 of contributed services for pro bono legal work, and \$2,281 of contributed equipment and supplies for water quality monitoring.

NOTE I – CONTINGENCIES

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization considers this contingency remote since, by accepting the grants and their terms, it is of the opinion that the Organization has complied with the terms of all grants.

NOTE J – UNSECURED CREDIT BORROWINGS

The Organization has unsecured credit cards with available limits of \$24,000 with \$6,764 included in accounts payable at December 31, 2018, which was paid the subsequent month.

NOTE K – RETIREMENT PLAN

The Organization sponsors a 401(k) profit-sharing plan for the benefit of its eligible employees. At the discretion of the Board of Directors, the Organization may make contributions to the plan. The Organization made no contribution to this plan for the year ended December 31, 2018.

NOTE L – OPERATING LEASE COMMITMENTS

Minimum lease payments under non-cancellable leases for its Hood River office are as follows:

Year Ended December 31,	
2019	\$ 42,313
2020	43,213
2021	<u>24,782</u>
	<u>\$ 110,308</u>

Total rent expense for the year ended December 31, 2018 was \$44,105.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2018

NOTE M – LIQUIDITY

The following chart represents the Organization's financial assets available to meet cash needs for general expenditures within one year of December 31, 2018:

Financial assets at year-end*	
Cash and cash equivalents	\$ 1,106,986
Receivables	808,849
Beneficial interest in assets held by others	<u>30,340</u>
Total financial assets	<u>1,946,175</u>
Less those unavailable for general expenditure within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor for endowment	30,340
Subject to satisfaction of donor restrictions	<u>220,921</u>
Total unavailable financial assets	<u>251,261</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,694,914</u>

* Total assets, less nonfinancial assets (e.g. property and equipment, prepaid expenses)

The Organization's endowment funds consist of donor-restricted endowments. As described in Note B, the Organization's spending policy is to appropriate all investment earnings based on OCF's determination of the amount and distribution policy of 4.5-5%.

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

NOTE N – SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 12, 2019 which is the date the financial statements were available to be issued.