

SOLVE

Audited Financial Statements

For the Year Ended September 30, 2024



McDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
SOLVE

Opinion

We have audited the accompanying financial statements of SOLVE (a nonprofit organization), which comprise the statement of financial position as of September 30, 2024, 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 SOLVE as of September 30, 2024, 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 SOLVE 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 SOLVE's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 SOLVE'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 SOLVE'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.

McDonald Jacobson, P.C.

Portland, Oregon
January 29, 2025

SOLVE
STATEMENT OF FINANCIAL POSITION
September 30, 2024

ASSETS

Cash and cash equivalents	\$ 2,085,471
Accounts, grants, and pledges receivable, net	246,859
Prepaid expenses	34,151
Beneficial interest in assets held by Oregon Community Foundation (OCF)	1,887,405
Operating lease right-of-use asset	567,655
Property and equipment, net	<u>143,542</u>
 TOTAL ASSETS	 <u><u>\$ 4,965,083</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 19,073
Accrued personnel expenses	29,247
Deferred revenue	13,465
Operating lease liability	<u>588,094</u>
Total liabilities	<u>649,879</u>
 Net assets:	
Without donor restrictions:	
Undesignated	1,776,464
Board designated	416,782
Net property and equipment	<u>143,542</u>
Total without donor restrictions	<u>2,336,788</u>
With donor restrictions:	
With expiring donor restrictions	678,549
With perpetual donor restrictions	<u>1,299,867</u>
Total with donor restrictions	<u>1,978,416</u>
 Total net assets	 <u>4,315,204</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 4,965,083</u></u>

See notes to financial statements.

SOLVE
STATEMENT OF ACTIVITIES
For the year ended September 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Contributions and grants	\$ 903,795	\$ 22,500	\$ 926,295
Government grants	585,979	48,375	634,354
Program service revenue	106,848	-	106,848
Donated materials and services	103,817	-	103,817
Interest income	48,680	-	48,680
Other income	2,491	-	2,491
Net assets released from restrictions:			
Satisfaction of purpose restrictions	208,416	(208,416)	-
Appropriation from endowment earnings	71,821	(71,821)	-
Total support and revenue	<u>2,031,847</u>	<u>(209,362)</u>	<u>1,822,485</u>
Expenses:			
Program services	1,488,874	-	1,488,874
Management and general	148,065	-	148,065
Fundraising	254,626	-	254,626
Total expenses	<u>1,891,565</u>	<u>-</u>	<u>1,891,565</u>
Operating loss	140,282	(209,362)	(69,080)
Change in value - beneficial interest in assets held by OCF	<u>-</u>	<u>275,667</u>	<u>275,667</u>
Change in net assets	140,282	66,305	206,587
Net assets:			
Beginning of year	<u>2,196,506</u>	<u>1,912,111</u>	<u>4,108,617</u>
End of year	<u>\$ 2,336,788</u>	<u>\$ 1,978,416</u>	<u>\$ 4,315,204</u>

See notes to financial statements.

SOLVE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended September 30, 2024

	Program Services	Management and General	Fundraising	Total
Salaries and related expenses	\$ 952,350	\$ 118,909	\$ 202,419	\$ 1,273,678
Professional fees	69,162	6,580	35,544	111,286
Program and event supplies	202,264	3,607	6	205,877
Rent	51,799	4,086	5,007	60,892
Advertising	86,923	60	75	87,058
Printing	5,695	6,659	360	12,714
Volunteer recognition and gifts	10,993	778	689	12,460
Travel, conferences, and meetings	28,110	664	565	29,339
Office expenses	7,348	1,146	473	8,967
Insurance	18,608	1,564	1,759	21,931
Bank fees	10,978	909	989	12,876
Miscellaneous	7,811	-	3,250	11,061
Depreciation and amortization	36,833	3,103	3,490	43,426
Total expenses	<u>\$ 1,488,874</u>	<u>\$ 148,065</u>	<u>\$ 254,626</u>	<u>\$ 1,891,565</u>

See notes to financial statements.

SOLVE
STATEMENT OF CASH FLOWS
For the year ended September 30, 2024

Cash flows from operating activities:	
Cash received from donors and service recipients	\$ 1,753,934
Interest and other receipts	51,171
Cash paid to employees and suppliers	(1,666,841)
Cash paid for operating lease	<u>(56,123)</u>
Net cash flows from operating activities	<u>82,141</u>
 Cash flows from investing activities:	
Purchase of property and equipment	(60,477)
Distribution from beneficial interest in assets held at OCF	<u>71,821</u>
Net cash flows from investing activities	<u>11,344</u>
 Net change in cash and cash equivalents	93,485
 Cash and cash equivalents - beginning of year	<u>1,991,986</u>
 Cash and cash equivalents - end of year	<u><u>\$ 2,085,471</u></u>

See notes to financial statements.

SOLVE
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

1. NATURE OF ORGANIZATION

Description of Organization

SOLVE (the Organization) was founded in 1969 by Governor Tom McCall and other community leaders to bring all Oregonians together as citizen stewards of the State of Oregon. SOLVE engages volunteers in the areas of community cleanup, watershed restoration and enhancement, and education. During 2024, volunteers contributed nearly 37,000 hours of service, clearing 3.31 acres of invasive plants, removing over 286,400 pounds of trash, and planting over 5,900 plants and trees during 1,206 events.

The Organization's programs include:

Oregon Spring Cleanup (OSCU)– One of the largest Earth Day activities in the nation, OSCU projects take place around the state, involving volunteers in illegal dumpsite and neighborhood litter cleanups, invasive vegetation removal, native tree and shrub plantings, and maintenance of watershed restoration sites.

Every spring, the Oregon coastline is cleaned of litter and marine debris, returning it to its pristine condition for visitors and wildlife. This effort empowers citizens to be an active part of keeping their state clean and beautiful. The first beach cleanup in the nation was held here in Oregon in 1984. Since then, annual beach cleanups have spread throughout the US states and territories as well as over 85 countries and sovereign territories.

Beach And Riverside Cleanup - The Fall Beach Cleanup includes not only beaches but inland waterway cleanup sites around the state. Thousands of volunteers pick up trash, pull invasive vegetation and plant native trees along or waterways and beaches to improve wildlife habitat, erosion control, and water quality.

Project Oregon - Project Oregon supports anyone who wants to organize a project that engages volunteers in cleanup and restoration activities anywhere and anytime in Oregon. SOLVE provides small grants, project planning assistance and cleanup project supplies.

Oregon Adopt-A-River - Oregon Adopt-A-River is a partnership between SOLVE and the Oregon State Marine Board. The program supports individuals and organizations in cleaning up their favorite stretch of waterway (river, lake or stream) anywhere in the state of Oregon, while focusing on watershed health and a good stewardship ethic. The commitment is for 2 years doing at least 2 cleanups per year on a minimum stretch of 2 miles of waterway.

SOLVE
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2024

1. NATURE OF ORGANIZATION, Continued

Oregon Adopt-A-Beach - The program supports individuals and organizations in cleaning up their favorite stretch of beach in the state of Oregon. The commitment is for 1 year doing at least 3 cleanups per year either on their own or involving volunteers.

Pick It Up! Portland - This two-day, city-wide event focuses on litter removal throughout Portland. Each year over 20 events are held in areas of great need in the city limits.

Detrash Portland - This program connects like-minded volunteers who want to tackle the issue of litter in Portland. Each week, we support events throughout the city, provide cleanup supplies, safety information, and disposal assistance for anyone who would like to improve their neighborhood through the simple act of cleaning up.

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. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

SOLVE
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

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.

Included in cash and cash equivalents at September 30, 2024 is approximately \$11,300 restricted for potential unemployment claims with the State of Oregon.

Investments

Investments, including beneficial interest assets held by the Oregon Community Foundation (OCF), are carried at fair value. Investment income earned on donor restricted investments is reported as an increase in net assets with donor restrictions until appropriated for expenditure.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable from program service revenue are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances, current relationships with them, and management's expectations about current and future economic conditions, management has concluded that credit losses on balances outstanding at year-end will be immaterial.

Grants, and Pledges Receivables

Grants receivable include government grant receivables and are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on account receivable balances outstanding at year-end will be immaterial.

Pledges receivable are reported at amounts outstanding at year-end net of probably uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts and pledges receivable.

SOLVE
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Leases

The Organization determines if an arrangement is or contains a lease at inception. Under ASC 842, 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 operating 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 operating 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 has made an accounting policy election to use a risk-free rate 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 operating 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 \$1,000 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 and Amortization

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 7 years. Software is amortized over the estimated useful life of 3 years.

SOLVE
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2024

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) and government grants, 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.

Program Service Revenue: Revenue associated with contracts with customers and fee for service arrangements, including government contracts and grants, are recognized in the period in which the services occur and are conditioned upon certain performance requirements. Deferred revenue at year end represents advanced payments for services that relate to the following year. The Organization has been contracted to perform services under various cost-reimbursement and fixed-fee arrangements of approximately \$20,000 for the period through June 2025 that have not yet been recognized at September 30, 2024 because the qualifying expenditures or performance obligations have not occurred.

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 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.

Income Tax Status

SOLVE 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.

SOLVE
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2024

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 statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocation methodology is based on personnel costs across functions which are allocated based on time and effort, and primarily allocate personnel costs (salaries and related expenses) and occupancy costs (rent, office, insurance, depreciation).

Advertising

Advertising costs are expensed as incurred. Advertising expenses for 2024 approximated \$87,000, the majority of this being donated (see Note 12).

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.

Change in Year-End

The Organization changed its year-end from December 31 to September 30. The accompanying financial statements reflect activity for the 12-month period from October 2023 to September 2024.

Subsequent Events

The Organization has evaluated all subsequent events through January 29, 2025, the date the financial statements were available to be issued.

SOLVE
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2024

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 September 30, 2024:

Cash and cash equivalents	\$ 2,085,471
Accounts, grants, and pledges receivable, net	246,859
Beneficial interest in assets held by	
Oregon Community Foundation (OCF)	1,887,405
	<u>4,219,735</u>
Less amounts unavailable for general expenditure:	
Net assets with donor restrictions	1,978,416
Board designated	416,782
Other restrictions	11,272
	<u>1,813,265</u>
Plus estimated endowment earnings	
appropriated for next year	72,000
Financial assets available for general expenditure	<u><u>\$ 1,885,265</u></u>

Board designated funds are maintained as operating reserves and the release of funds may be approved by simple majority vote of the Board of Directors. See Note 9 regarding board designated net assets.

The beneficial interest in assets held by OCF are restricted to be held as an endowment and are subject to the distribution policies of OCF. Under these policies, future distributions are calculated at 4% of the total fund balance to be available for general expenditures in the next year. See Note 5 and Note 15 regarding the beneficial interest in assets held by OCF.

SOLVE
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2024

4. ACCOUNTS, GRANTS, AND PLEDGES RECEIVABLE

Accounts, grants, and pledges receivable consists of the following at September 30, 2024:

Accounts receivable	\$ 19,199
Other receivables due within one year:	
Government grants receivable	123,229
Pledges receivable	107,681
Less allowance for uncollectible accounts	3,250
Pledges receivable, net	<u>104,431</u>
Accounts, grants and pledges receivable, net	<u>\$ 246,859</u>

The Organization has been awarded cost-reimbursable grants and other conditional grants of approximately \$640,000 for the period through December 2027, that have not been recognized at September 30, 2024 because qualifying expenditures have not yet been incurred or the conditions have not been met.

5. BENEFICIAL INTEREST IN ASSETS HELD BY OCF

The Organization established an endowment fund that is held by the Oregon Community Foundation (OCF). The Organization's fund is pooled with other assets managed by OCF and is invested in debt, equity and other securities 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. Accordingly, OCF recognizes the fund as a liability on its statement of financial position. 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. OCF may make additional distributions from the fund to the Organization upon a majority vote of all of the directors of the Organization, if, in the sole judgment of the board of OCF, the requested distribution is consistent with the objectives and purposes of the Organization. The beneficial interest in assets total \$1,887,405 at September 30, 2024. Also see Note 15, Endowment.

SOLVE
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2024

6. 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 operating lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU assets and operating 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 with a remaining lease term of 8 years. The Organization also leases equipment on a month-to-month basis.

The office lease term includes a 5-year extension, available at the Organization's option, which it is reasonably certain to exercise. Therefore, the payments associated with the extension are included in the ROU asset and the operating lease liability recognized. The office lease also provides a property tax abatement which is not included in the operating lease cost.

Balances, lease term, and discount rate associated with this operating lease at September 30, 2024 are as follows:

Operating lease right-of-use-asset	<u>\$ 567,655</u>
Operating lease liability	<u>\$ 588,094</u>
Weighted average remaining lease term	7.75 years
Weighted average discount rate	2.88%

The maturities of operating lease liability of September 30, 2024 are as follows:

Year ending September 30, 2025	\$ 76,885
2026	79,191
2027	81,567
2028	84,014
2029	86,535
Thereafter	<u>264,609</u>
	672,801
Less discount	<u>(84,707)</u>
Present value of operating lease liability	<u>\$ 588,094</u>

SOLVE
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2024

6. OPERATING LEASES, Continued

Operating lease expense included in rent and office expenses is as follows:

Operating lease cost	\$ 60,892
Short-term lease cost	<u>3,412</u>
	<u>\$ 64,304</u>

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2024:

Furniture and equipment	\$ 88,544
Vehicles	138,901
Software	<u>42,750</u>
	270,195
Less accumulated depreciation	<u>126,653</u>
Property and equipment, net	<u>\$ 143,542</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. BOARD DESIGNATED NET ASSETS

Board designated net assets are designated for an operating reserve and total approximately \$417,000 at September 30, 2024.

SOLVE
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2024

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with expiring donor restrictions consist of the following at September 30, 2024:

Communications	\$ 31,524
Project Oregon	20,000
Oregon Spring Cleanup	30,875
Pick It Up Portland	5,000
Detrash Portland	5,000
Drive Change Fund	-
Time restricted	4,005
Accumulated endowment earnings (Note 15)	<u>582,145</u>
Total net assets with expiring restrictions	<u><u>\$ 678,549</u></u>

Net assets with perpetual restrictions of \$1,299,867 at September 30, 2024 consist of donor- restricted contributions made to the Organization's endowment held by OCF. The contributions are held in perpetuity, with income earned on the fund classified as net assets with expiring restrictions until appropriated for expenditure. (See Note 15.)

11. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

The Organization's typical fee-for-service contracts are billed at periodic intervals upon achievement of contractual milestones and deliverables. In some cases, the Organization receives advances or deposits from customers, before revenue is recognized, resulting in contract liabilities. These deposits are relieved when revenue is recognized. There are no significant judgments affecting the determination of amount and timing of program service revenue.

Total revenue by contract type is as follows for the year ended September 30, 2024:

Revenue by type:	
Program revenue- over time	\$ 38,948
Program revenue - point in time	<u>67,900</u>
	<u><u>\$ 106,848</u></u>

SOLVE
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2024

11. REVENUE FROM CONTRACTS WITH CUSTOMERS, Continued

The beginning and ending contract balances are as follows:

	September 30,	
	2024	2023
Accounts receivable (contract asset)		
Over time	\$ 9,949	\$ 9,666
Point in time	9,250	14,750
	\$ 19,199	\$ 24,416
Deferred revenue (contract liability):		
Point in time	\$ 13,465	\$ -

12. DONATED MATERIALS AND SERVICES

The Organization received donated materials and services during 2024 as follows:

	Program Services	Management and General	Fundraising	Total
Advertising	\$ 83,989	\$ -	\$ -	\$ 83,989
Goods and supplies	1,413	6,674	3,741	11,828
Professional fees	-	8,000	-	8,000
Total donated materials and services	\$ 85,402	\$ 14,674	\$ 3,741	\$ 103,817

Fair market value for donated advertising is provided by the media companies that provide the donated advertising.

Contributed goods, supplies, and professional fees are recorded at fair value based on the current cost to acquire the goods or services, or the sale price of comparable goods and services.

All donated materials and service were utilized during the year the donation was received.

SOLVE
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2024

13. RETIREMENT PLAN

The Organization has a 401(k) plan, with matching contributions of 3%. The Plan is available to all employees who may make elective deferrals as allowed by law. Contributions during 2024 were approximately \$38,200.

14. FAIR VALUE MEASUREMENTS

Assets recorded at fair value in the statement of financial position 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.

Assets of the Organization subject to fair value measurements include the beneficial interest in assets held by OCF and fair value is determined using Level 3 inputs.

Changes in Level 3 assets for 2024 are as follows:

Balance at beginning of year	\$ 1,678,166
Distributions	(71,821)
Change in value	<u>275,667</u>
Balance at end of year	<u>\$ 1,882,012</u>

Fair values of the beneficial interest in investments held at Oregon Community Foundation (OCF) have been provided to the Organization based on information provided by OCF which represents the Organization's proportionate share of investments owned by OCF, using a market approach.

SOLVE
NOTES TO FINANCIAL STATEMENTS, CONTINUED
September 30, 2024

15. ENDOWMENT

The Organization's endowment consists of donor-restricted funds which are held at Oregon Community Foundation. As required by U.S. generally accepted accounting principles (GAAP), net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

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 perpetual endowment (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

Return Objectives, Risk Parameters and Strategies for Achieving Objectives

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. To achieve its objective, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk.

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15. ENDOWMENT, Continued

Return Objectives, Risk Parameters and Strategies for Achieving Objectives, Continued

Endowment assets are invested with OCF which maintains a well-diversified asset mix, which includes equity, debt and other securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make distributions to support operations. Accordingly, the Organization expects its endowment assets, over time, to produce an average rate of return consistent with the market. Actual returns in any given year may vary.

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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year an amount as allowed under the policies established by OCF and which is distributed to the Organization. In establishing this policy, OCF considered the long-term expected investment return on the endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Changes in endowment net assets for 2024 are as follows:

	With Donor Expiring Restrictions	With Donor Perpetual Restrictions	Total
Balance at September 30, 2023	\$ 378,299	\$1,299,867	\$ 1,678,166
Investment return, net	275,667	-	275,667
Appropriated for expenditure	(71,821)	-	(71,821)
Balance at September 30, 2024	<u>\$ 582,145</u>	<u>\$1,299,867</u>	<u>\$ 1,882,012</u>

16. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in four financial institutions. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. At September 30, 2024, a cash balance of approximately \$812,900 is included in two sweep accounts and is fully FDIC-insured. Balances in excess of insured limits total approximately \$22,800 as of September 30, 2024.

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16. **CONCENTRATIONS OF CREDIT RISK, Continued**

Credit risk for accounts, grants, and pledges receivable is concentrated at September 30, 2024 in that 46% of total receivables is due from two government entities. In addition, substantially all of the balances are receivable from organizations and individuals located within the same geographic region and are unsecured. Revenues are concentrated with 19% of total revenues for the year ended September 30, 2024 coming from one governmental entity.

Investment securities held in beneficial interest with OCF 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.

17. **RELATED PARTY DISCLOSURE**

Certain board members are business owners in the community. At times, the Organization enters into transactions with companies where board members are key employees or owners. These transactions occur in the normal course of business, were insignificant to the financial statements and disclosed as part of the Organization's conflict of interest policy.