SOLVE

Audited Financial Statements

For the Year Ended December 31, 2023

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 December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SOLVE as of December 31, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

Report on Summarized Comparative Information

We have previously audited SOLVE's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 26, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobs, P.C.

Portland, Oregon
April 24, 2024

SOLVE
STATEMENT OF FINANCIAL POSITION
December 31, 2023
(With comparative totals for 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	$ 2,085,749	$ 1,803,568
Accounts, grants, and pledges receivable, net	195,363	255,138
Prepaid expenses	21,360	25,758
Beneficial interest in assets held by Oregon Community Foundation (OCF)	1,771,102	1,678,166
Operating lease right-of-use assets	616,219	682,896
Property and equipment, net	116,524	156,392
TOTAL ASSETS	$ 4,806,317	$ 4,601,918
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 12,752	$ 64,628
Accrued personnel expenses	73,169	31,259
Deferred revenue	5,000	21,374
Operating lease liabilities	630,935	688,161
Note payable	-	150,000
Total liabilities	721,856	955,422
Net assets:		
Without donor restrictions:		
Undesignated	1,548,040	1,138,720
Board designated	404,849	400,609
Net property and equipment	116,524	156,392
Total without donor restrictions	2,069,413	1,695,721
With donor restrictions:		
With expiring donor restrictions	715,181	650,908
With perpetual donor restrictions	1,299,867	1,299,867
Total with donor restrictions	2,015,048	1,950,775
Total net assets	4,084,461	3,646,496
TOTAL LIABILITIES AND NET ASSETS	$ 4,806,317	$ 4,601,918

See notes to financial statements.

SOLVE
STATEMENT OF ACTIVITIES
For the year ended December 31, 2023
(With comparative totals for 2022)

	2023			
	Without Donor Restrictions	With Donor Restrictions	Total	2022 Total
Support and revenue:				
Contributions and grants	$ 1,022,275	$ 96,256	$ 1,118,531	$ 1,063,597
Government grants	961,213	42,500	1,003,713	899,867
Program service revenue	109,325	-	109,325	125,130
Donated materials and services	100,131	-	100,131	337,620
Change in value - beneficial interest in assets held by OCF	-	162,157	162,157	(208,454)
Forgiveness of debt	-	-	-	141,250
Interest income	10,389	-	10,389	1,066
Other income (loss)	8,071	-	8,071	(7,570)
Net assets released from restrictions:				
Satisfaction of purpose restrictions	167,419	(167,419)	-	-
Appropriation from endowment earnings	69,221	(69,221)	-	-
Total support and revenue	2,448,044	64,273	2,512,317	2,352,506
Expenses:				
Program services	1,704,901	-	1,704,901	1,833,740
Management and general	214,342	-	214,342	100,052
Fundraising	155,109	-	155,109	161,924
Total expenses	2,074,352	-	2,074,352	2,095,716
Change in net assets	373,692	64,273	437,965	256,790
Net assets:				
Beginning of year	1,695,721	1,950,775	3,646,496	3,389,706
End of year	$ 2,069,413	$ 2,015,048	$ 4,084,461	$ 3,646,496

See notes to financial statements.

SOLVE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2023
(With comparative totals for 2022)

	2023				2022
	Program Services	Management and General	Fundraising	Total	Total
Salaries and related expenses	$ 965,858	$ 155,743	$ 125,284	$ 1,246,885	$ 1,096,312
Professional fees	80,936	28,666	4,775	114,377	181,613
Program and event supplies	387,040	6	3,607	390,653	221,830
Rent	51,250	4,547	5,095	60,892	96,010
Advertising	95,489	93	104	95,686	343,372
Printing	7,863	466	6,420	14,749	21,332
Volunteer recognition and gifts	10,588	635	1,528	12,751	2,166
Travel, conferences, and meetings	25,037	445	999	26,481	20,990
Office expenses	9,126	489	1,175	10,790	18,436
Insurance	17,965	1,592	1,783	21,340	19,165
Bank fees	10,966	895	1,003	12,864	24,537
Miscellaneous	9,228	-	-	9,228	20,582
Credit losses	-	17,788	-	17,788	-
Depreciation and amortization	33,555	2,977	3,336	39,868	29,371
Total expenses	$ 1,704,901	$ 214,342	$ 155,109	$ 2,074,352	$ 2,095,716

See notes to financial statements.

SOLVE
STATEMENT OF CASH FLOWS
For the year ended December 31, 2023
(With comparative totals for 2022)

	2023	2022
Cash flows from operating activities:		
Cash received from donors and service recipients	$ 2,257,180	$ 2,382,776
Interest and other receipts	18,460	8,294
Cash paid to employees and suppliers	(1,833,585)	(1,640,538)
Cash paid for operating leases	(79,095)	(40,838)
Net cash flows from operating activities	362,960	709,694
Cash flows from investing activities:		
Purchase of property and equipment	-	(71,041)
Distribution from beneficial interest in assets held at OCF	69,221	65,549
Net cash flows from investing activities	69,221	(5,492)
Cash flows from financing activities:		
Payment on note payable	(150,000)	-
Net cash used in financing activities	(150,000)	-
Net change in cash and cash equivalents	282,181	704,202
Cash and cash equivalents - beginning of year	1,803,568	1,099,366
Cash and cash equivalents - end of year	$ 2,085,749	$ 1,803,568
Supplemental cash flow information:		
Non-cash investing and financing activities:		
Obtaining right-of-use assets in exchange for lease liabilities	$ -	$ 720,532
Non-cash operating and financing activities:		
Forgiveness of debt	$ -	$ 141,250

See notes to financial statements.

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 2023, volunteers contributed over 46,900 hours of service, clearing 6 acres of invasive plants, removing over 722,200 pounds of trash, and planting over 5,800 plants and trees during 1,455 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.

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.

1. NATURE OF ORGANIZATION, Continued

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.

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 December 31, 2023 and 2022 is approximately $11,200 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 consist of amounts billed for program services, contract services, and are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. The Organization separates accounts receivable into risk pools based on their aging. In determining the amount of the allowance as of the balance sheet date, the Organization develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions.

Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for trade receivables held at December 31, 2023 and 2022 because the composition of the trade receivables at those dates are consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers and its lending practices have not changed significantly over time). Additionally, management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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. The Organization has been awarded cost-reimbursable grants and other conditional grants of approximately $871,000 for the period through December 2027, that have not been recognized at December 31, 2023 because qualifying expenditures have not yet been incurred or the conditions have not been 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 $59,000 for the period through June 2025 that have not yet been recognized at December 31, 2023 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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 2023 and 2022 approximated $95,700 and $343,400, respectively, the majority of this being donated (see Note 13).

Use of Estimates

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

Summarized Financial Information for 2022

The financial information as of December 31, 2022 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Reclassifications

Certain amounts in the prior year financial statements were reclassified to conform with the current year presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Adoption of New Accounting Standard

As of January 1, 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 include accounts receivable. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This standard provides financial statement users with more decision-useful information about the expected losses on financial instruments.

The Organization adopted this change in accounting principle as of the first day of 2023 using the modified retrospective method. Accordingly, financial information for periods prior to the date of initial application has not been adjusted. The adoption did not result in a significant effect on amounts reported in the statement of financial position and statement of activities for 2023.

Subsequent Events

The Organization has evaluated all subsequent events through April 24, 2024, 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.

Financial assets available for general expenditure consist of the following at December 31, 2023 and 2022:

	2023	2022
Cash and cash equivalents	$ 2,085,749	$ 1,803,568
Accounts, grants, and pledges receivable, net	195,363	255,138
Beneficial interest in assets held by Oregon Community Foundation (OCF)	1,771,102	1,678,166
	4,052,214	3,736,872
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	2,015,048	1,950,775
Board designated	404,849	400,609
Other restrictions	11,247	11,214
	1,621,070	1,374,274
Plus endowment earnings appropriated for next year	71,821	69,221
Financial assets available for general expenditure	$ 1,692,891	$ 1,443,495

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 10 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 16 regarding the beneficial interest in assets held by OCF.

4. ACCOUNTS, GRANTS, AND PLEDGES RECEIVABLE

Accounts, grants, and pledges receivable consists of the following at December 31, 2023 and 2022:

	2023	2022
Accounts receivable	$ 25,417	$ 22,932
Less allowance for credit losses	11,250	-
	14,167	22,932
Other receivables due within one year:		
Government grants receivable	125,382	181,281
Pledges receivable	55,814	50,925
Total accounts, grants and pledges receivable	$ 195,363	$ 255,138

Changes in the allowance for credit losses is as follows for the year ended December 31, 2023:

Balance, beginning of the year	$ -
Provision for credit losses	29,040
Write-offs, net of recoveries	(17,790)
Balance, end of the year	$ 11,250

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 $1,771,102 and $1,678,166 at December 31, 2023 and 2022, respectively. Also see Note 16, Endowment.

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 and equipment (ending in 2023) with a remaining lease term of 9 years. In addition, the Organization had an office lease expiring in 2022 which was treated as a short-term lease. 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 and terms associated with this operating lease at December 31, 2023 and 2022 are as follows:

	2023	2022
Operating lease right-of-use-asset	$ 616,219	$ 682,896
Operating lease liability	$ 630,935	$ 688,161

	2023	2022
Weighted average remaining lease term	8.5 years	9.5 years
Weighted average discount rate	2.88%	2.87%

The maturities of operating lease liability of December 31, 2023 are as follows:

Year ending December 31, 2024	$ 75,201
2025	77,457
2026	79,781
2027	82,174
2028	84,640
Thereafter	316,389
	715,642
Less discount	(84,707)
Present value of operating lease liability	$ 630,935

6. OPERATING LEASES, Continued

Operating lease expense included in rent and printing is as follows:

	2023	2022
Operating lease cost	$ 85,710	$ 46,103
Short-term lease cost	2,030	55,657
	$ 87,740	$ 101,760

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2023 and 2022:

	2023	2022
Furniture and equipment	$ 64,706	$ 78,250
Vehicles	102,262	102,262
Software	42,750	-
App development in process	-	42,750
	209,718	223,262
Less accumulated depreciation	93,194	66,870
Property and equipment, net	$ 116,524	$ 156,392

App development in process is for a mobile app for identifying illegal dump sites, which was placed in service in January 2023.

8. NOTE PAYABLE

The Organization received an Economic Injury Disaster Loan (EIDL) for $150,000 through COVID-19 government relief options. The EIDL loan is guaranteed by the SBA, is secured by all assets of the Organization, and accrues interest at 2.75%. Monthly payments including principal and interest of approximately $641 started in December 2022. The Organization repaid this loan in full in 2023.

9. CONTINGENCY

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.

10. BOARD DESIGNATED NET ASSETS

Board designated net assets are designated for an operating reserve and total approximately $404,900 and $400,600 at December 31, 2023 and 2022, respectively.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with expiring donor restrictions consist of the following at December 31, 2023 and 2022:

	2023	2022
Keep It Pretty Rose City	$ 58,525	$ 120,225
Project Oregon	22,500	23,125
Oregon Spring Cleanup	20,000	48,361
Beach And Riverside Cleanup	10,000	-
Pick It Up Portland	5,000	5,000
Oregon Adopt a Beach	-	6,667
Drive Change Fund	71,256	-
Equity	42,660	50,000
Time restricted	14,005	19,231
Accumulated endowment earnings (Note 16)	471,235	378,299
Total net assets with expiring restrictions	$ 715,181	$ 650,908

Net assets with perpetual restrictions of $1,299,867 at December 31, 2023 and 2022 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 16.)

12. 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:

Revenue by type:	2023	2022
Program revenue- over time	$ 38,116	$ 38,082
Program revenue - point in time	71,209	87,048
	$ 109,325	$ 125,130

The beginning and ending contract balances are as follows:

	December 31,		
	2023	2022	2021
Accounts receivable (contract asset)			
Over time	$ 9,667	$ 9,392	$ 9,649
Point in time	15,750	13,540	4,806
	$ 25,417	$ 22,932	$ 14,455
Deferred revenue (contract liability):			
Point in time	$ 5,000	$ 21,374	$ 1,500

Revenue recognized that was included in the contract liability at the beginning of the year was $21,374 and $1,500 for the years ended December 31, 2023 and 2022, respectively.

13. DONATED MATERIALS AND SERVICES

The Organization received donated materials and services during 2023 and 2022 as follows:

	Program Services	Management and General	Fundraising	Total
2023				
Advertising	$ 92,589	$ -	$ -	$ 92,589
Goods and supplies	618	3,129	795	4,542
Professional fees	-	3,000	-	3,000
Total donated materials and services	$ 93,207	$ 6,129	$ 795	$ 100,131
2022				
Advertising	$ 324,734	$ -	$ -	$ 324,734
Goods and supplies	5,163	998	1,225	7,386
Professional fees	-	5,500	-	5,500
Total donated materials and services	$ 329,897	$ 6,498	$ 1,225	$ 337,620

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.

14. RETIREMENT PLAN

During 2022, the Organization implemented a 401(k) plan, with matching contributions of 3% beginning September 2022. The Plan is available to all employees who may make elective deferrals as allowed by law. Contributions during 2023 and 2022 were approximately $34,200 and $10,200, respectively.

15. 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 are considered Level 3 investments.

Changes in Level 3 assets for 2023 and 2022 are as follows:

	2023	2022
Balance at beginning of year	$ 1,678,166	$ 1,952,169
Distributions	(69,221)	(65,549)
Change in value	162,157	(208,454)
Balance at end of year	$ 1,771,102	$ 1,678,166

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.

16. 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.

16. 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 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.

16. 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 2023 and 2022 are as follows:

	Expiring Restrictions	Perpetual Restrictions	Total
Balance at December 31, 2021	$ 652,302	$1,299,867	$ 1,952,169
Investment return, net	(208,454)	-	(208,454)
Appropriated for expenditure	(65,549)	-	(65,549)
Balance at December 31, 2022	378,299	1,299,867	1,678,166
Investment return, net	162,157	-	162,157
Appropriated for expenditure	(69,221)	-	(69,221)
Balance at December 31, 2023	$ 471,235	$1,299,867	$ 1,771,102

17. 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. Balances in excess of insured limits total approximately $72,000 and $1,293,800 as of December 31, 2023 and 2022, respectively. At December 31, 2023, a cash balance of approximately $964,500 is included in two sweep accounts and is fully FDIC-insured.

17. CONCENTRATIONS OF CREDIT RISK, Continued

Credit risk for accounts, grants, and pledges receivable is concentrated at December 31, 2023 in that 41% of total receivables is due from one government entity. At December 31, 2022, 57% 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 25% and 27% of total revenues for the years ended December 31, 2023 and 2022, respectively 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.

18. 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.