GaryMcGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

Saturday Academy

Financial Statements and Other Information
as of and for the Year Ended September 30, 2020
and Report of Independent Accountants

SATURDAY ACADEMY

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REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
Friends of Saturday Academy:

We have audited the accompanying financial statements of the Friends of Saturday Academy (dba "Saturday Academy"), which comprise the statement of financial position as of September 30, 2020, 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saturday Academy as of September 30, 2020, 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.

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Summarized Comparative Information

We have previously audited Saturday Academy's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 12, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

February 9, 2021

SATURDAY ACADEMY

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2020

(WITH COMPARATIVE AMOUNTS FOR 2019)

	2020	2019
Assets:		
Cash and cash equivalents	$ 219,746	256,885
Accounts receivable	22,450	23,513
Grants and contributions receivable *(note 4)*	17,700	165,790
Prepaid expenses and other assets	22,538	23,892
Investments *(note 5)*	950,770	1,046,507
Beneficial interest in assets held by the Oregon Community Foundation *(note 6)*	212,288	210,088
Beneficial interest in charitable remainder unitrust *(note 7)*	114,446	136,640
Property and equipment *(note 8)*	188,108	216,218
Total assets	$ 1,748,046	2,079,533
Liabilities:		
Accounts payable and accrued liabilities	5,139	14,207
Accrued payroll and related liabilities	22,239	19,938
Deferred revenue	8,015	43,934
Total liabilities	35,393	78,079
Net assets:		
Without donor restrictions:		
Available for general programs and operations	692,637	900,362
Designated by Board for operating reserve	300,000	300,000
Net investment in capital assets	188,108	216,218
Total without donor restrictions	1,180,745	1,416,580
With donor restrictions *(note 9)*	531,908	584,874
Total net assets	1,712,653	2,001,454
Commitments and contingencies *(notes 1, 13, 14, and 18)*		
Total liabilities and net assets	$ 1,748,046	2,079,533

See accompanying notes to financial statements.

SATURDAY ACADEMY

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2020

(WITH COMPARATIVE TOTALS FOR 2019)

	2020			
	Without donor restrictions	**With donor restrictions**	**Total**	**2019**
Revenues, gains, and other support:				
Program fees	$ 335,779	–	335,779	996,515
Grants and contributions	328,054	165,746	493,800	706,043
Special events, less direct costs of $15,473 in 2020 and $10,150 in 2019	59,043	–	59,043	68,896
Net change in the beneficial interest in assets held by the Oregon Community Foundation *(note 6)*	–	10,869	10,869	8,341
Net change in the beneficial interest in charitable remainder unitrust *(note 7)*	–	(22,194)	(22,194)	16,847
Net investment return *(note 5)*	56,569	38	56,607	60,042
Other income	19,877	–	19,877	19,708
Total revenues and gains	799,322	154,459	953,781	1,876,392
Net assets released from restrictions *(note 11)*	207,425	(207,425)	–	–
Total revenues, gains, and other support	1,006,747	(52,966)	953,781	1,876,392
Expenses *(note 12)***:**				
Program services	889,352	–	889,352	1,392,549
Management and general	200,177	–	200,177	214,351
Fundraising	153,053	–	153,053	142,997
Total expenses	1,242,582	–	1,242,582	1,749,897
Increase (decrease) in net assets	(235,835)	(52,966)	(288,801)	126,495
Net assets at beginning of year	1,416,580	584,874	2,001,454	1,874,959
Net assets at end of year	$ 1,180,745	531,908	1,712,653	2,001,454

See accompanying notes to financial statements.

SATURDAY ACADEMY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

		2020				
		Program services	Management and general	Fundraising	Total	2019
Salaries	$	480,742	107,413	93,820	681,975	936,088
Payroll taxes and employee benefits		113,556	18,773	20,248	152,577	189,191
Apprenticeships in Science & Engineering stipends and conferences		43,989	–	–	43,989	109,622
Professional fees		32,088	57,284	19,831	109,203	154,947
Program rentals		48,552	–	–	48,552	68,136
Printing, publications, and postage		22,909	410	4,248	27,567	42,061
Supplies and equipment		15,954	642	566	17,162	45,087
Partnership contracts		–	–	–	–	12,707
Public relations and advertising		22,135	660	239	23,034	27,027
Transportation		4,152	162	145	4,459	26,115
Occupancy		23,693	3,830	3,248	30,771	30,161
Insurance		13,463	2,094	1,779	17,336	10,340
Telephone and information technology		23,306	2,519	4,031	29,856	25,492
Bad debt expense		6,000	–	–	6,000	7,320
Depreciation and amortization		28,781	3,675	3,863	36,319	37,330
Other		10,032	2,715	1,035	13,782	28,273
Total expenses	$	889,352	200,177	153,053	1,242,582	1,749,897

See accompanying notes to financial statements.

SATURDAY ACADEMY

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

		2020	2019
Cash flows from operating activities:			
Cash received from program fees	$	294,923	1,049,697
Cash received from donors and grantors		708,906	663,317
Cash received from other sources		19,877	19,708
Net distribution of units in beneficial interest in assets held by the Oregon Community Foundation		8,669	8,451
Interest and dividend income		23,621	34,024
Cash paid to suppliers, employees, and others		(1,213,649)	(1,724,611)
Net cash provided by (used in) operating activities		(157,653)	50,586
Cash flows from investing activities:			
Purchase of units in beneficial interest in assets held by the Oregon Community Foundation		–	(6,050)
Proceeds from the sale of investments		150,000	–
Reinvestment of interest and dividend income		(21,277)	(30,382)
Purchases of property and equipment		(8,209)	(5,685)
Net cash provided by (used in) investing activities		120,514	(42,117)
Increase (decrease) in cash and cash equivalents		(37,139)	8,469
Cash and cash equivalents at beginning of year		256,885	248,416
Cash and cash equivalents at end of year	$	219,746	256,885

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

1. Organization

Founded in 1983, the Friends of Saturday Academy (dba "Saturday Academy") strive to engage all motivated young people, including those from under-represented communities, in hands-on, in-depth learning by connecting them to community experts as educators and mentors. The Academy endeavors to provide all interested, pre-college students in our region the opportunity to interact with community experts and experience professional environments, which will assist them in developing intellectually and preparing for rewarding careers.

Saturday Academy has provided instruction to more than 190,000 students throughout Oregon and Southwest Washington. The Academy's innovative programs are open to all students in grades 2 through 12, with an emphasis on science, technology, engineering and math, with the premise that these disciplines are integral to the future in which children will live and work.

The Academy is comprised of a sole member, the University of Portland. In the event of the Academy's dissolution, and after the satisfaction of all liabilities, the remaining assets of the Academy would be distributed to the University of Portland. The Academy leases office space on the University of Portland campus. Terms of the lease include monthly rental payments of $2,500. Terms provide for automatic renewal for successive one-year terms. In addition, the Academy has agreed to pay the University a monthly administrative fee of $1,500 for consulting services rendered to the Academy and the University has agreed to pay the Academy a monthly royalty of $1,500 for the right to use the Academy's mark and assumed business name. Under these agreements, during the year ended September 30, 2020, rental expenses totaled $30,000, consulting fees totaled $18,000, and royalty revenues totaled $18,000.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Academy are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Basis of Presentation – Net assets, revenues, gains and losses are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Academy 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-imposed stipulations. From time to time, the Academy's Board of Directors may designate a portion of these net assets for particular purposes and objectives.

- *Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Academy and/or the passage of time. This balance represents the unexpended portion of donor-restricted contributions and investment return to be used for specific programs and activities as directed by the donor. The balance also includes net assets subject to donor-imposed stipulations that they be maintained permanently by the Academy (e.g., endowment funds). Generally, the donors of these assets permit the Academy to use all or part of the income earned on related investments for general or specific purposes.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are also reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (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.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. In the opinion of management, such differences, if any, would not be significant.

Cash Equivalents – For purposes of the financial statements, the Academy considers all liquid investments having initial maturities of three months or less to be cash equivalents.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair value in the statement of financial position. Whenever available, quotations from organized securities exchanges are used as the basis for fair value.

Net investment return, which includes both current yield (interest and dividend income) and net change in the fair value of investments, is reported in the statement of activities, net of investment expenses. Interest income is accrued as earned. All security transactions are recorded on a trade date basis.

The Academy has some exposure to investment risks, including interest rate, market, and credit risks, for both marketable and non-marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the accompanying financial statements.

Capital Assets and Depreciation – Property and equipment are carried at cost, and initially at fair value when acquired by gift. Depreciation and amortization is provided on a straight-line basis over the estimated useful lives of the respective assets, which generally range from 2 to 7 years.

Beneficial Interest in Trusts – The Academy receives contributions of property in which the donor or donor-designated beneficiary may retain a life interest. The assets are invested and administered by a trustee, and distributions are made to the beneficiaries during the term of the agreement. The Academy records its interest in these trusts at fair value based on estimated future cash receipts. Initial recognition and subsequent adjustments to the assets' carrying values are reported as a change in the value of beneficial interest in charitable trusts in the accompanying financial statements, and are classified as either net assets with donor restrictions or net assets without donor restrictions, depending on the existence of donor-imposed purpose or time restrictions, if any. The Academy does not serve as trustee for any of the charitable remainder trusts.

Revenue Recognition – With regard to revenues from grants and contracts, the Academy evaluates whether each transfer of assets is (1) an exchange (reciprocal) transaction in which a resource provider receives commensurate value in return for the assets transferred, or (2) a nonreciprocal transfer (a contribution or a grant), where no value is exchanged.

- *Exchange transactions* – If the transfer of assets is determined to be an exchange transaction, the Academy recognizes revenue when or as is satisfies the required performance obligations and transfers the promised good or service to a customer, and when the customer obtains control of that good or service.

- *Grants and contributions* – If the transfer of assets is determined to be a contribution, the Academy evaluates whether the contribution is conditional based upon whether the agreement includes both (1) a barrier that must be overcome to be entitled to the funds and (2) either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Revenues from Exchange Transactions – Program fees are recorded as revenue during the year the related academic services are provided and are reported net of scholarships awarded. During the year ended September 30, 2020, scholarships awarded totaled $28,140. Tuition and fees received by the Academy for future fiscal years are reported as deferred revenues. These amounts will be recognized as revenue in the fiscal year to which they apply.

Contributions – Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the donor's commitment is received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions and grants received with donor stipulations that limit the use of the donated assets are reported as net assets with donor restrictions.

Unconditional promises to give with payments due in future periods, are recorded as increases in net assets with donor restrictions at the estimated present value of future cash flows using credit adjusted discount rates which articulate to the collection period of the respective pledge. Such discount rates are not subsequently revised. Amortization of the discount is recorded as additional contribution revenue in subsequent years in the appropriate net asset class.

Contributions and grants receivable are reported net of an allowance for estimated uncollectible promises. Promises to give are written off when deemed uncollectible.

When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions of capital assets without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net assets without donor restrictions class. Contributions of cash or other assets restricted to the acquisition of capital assets with such donor stipulations are reported as net assets with donor restrictions; the restrictions are considered to be released at the time of acquisition of such long-lived assets, in accordance with donor intent.

In-Kind Contributions – A number of unpaid volunteers have made significant contributions of their time to develop and implement the Academy's programs. Under generally accepted accounting principles, significant services received which create or enhance a non-financial asset or require specialized skills that the Academy would have purchased if not donated are recognized in the statement of activities.

In-kind contributions of land, buildings, equipment, and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of the Academy's activities.

During the year ended September 30, 2020, the organization received $7,500 in free use of facilities, representing three months of rent expense under the lease described in note 1.

Benefits Provided to Donors at Special Events – The Academy conducts special fundraising events for which a portion of the gross proceeds paid by the participants represents payment of the direct cost of the benefits received by participants at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals, entertainment, and other benefits provided at special events is measured at the actual cost to the Academy.

Advertising Expenses – Advertising costs are charged to expenses as they are incurred.

Concentrations of Credit Risk – The organization's financial instruments consist primarily of cash equivalents, certificates of deposit, mutual funds, and the beneficial interest in assets held by the Oregon Community Foundation ("OCF"), which may subject the organization to concentrations of credit risk as, from time to time, for example, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). In addition, the market value of securities is dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values.

All checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC for up to $250,000 for each depositor, for each insured bank, for each account ownership category.

Certain receivables may also, from time to time, subject the organization to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, the organization's management evaluates the financial condition of its customers and donors, and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics. When necessary, receivables are reported net of an allowance for uncollectible accounts.

Finally, the reported value of the Academy's beneficial interest in assets held by OCF is dependent upon changes in the market values of the underlying investments and the ability of OCF to honor its commitment.

Income Taxes – The Academy is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and derives its public charity status as an organization described in Section 509(a)(2) of the Internal Revenue Code.

Subsequent Events – Subsequent events have been evaluated by management through February 9, 2021, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2019 – The accompanying financial information as of and for the year ended September 30, 2019 are presented for comparative purposes only and are not intended to represent a complete financial statement presentation.

Other Significant Accounting Policies – Other significant accounting policies are set forth in the financial statements and the following notes.

3. Recently-Issued Accounting Standards

In May of 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, to clarify the principles for recognizing revenue and to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services. ASU 2014-09 will be effective for Saturday Academy for annual reporting periods ending after December 15, 2020. The organization has not yet determined the impact of ASU No. 2014-09 at this time.

4. Grants and Contributions Receivable

At September 30, 2020, the Academy reported $17,700 in grants and contributions receivable, representing unconditional promises expected to be collected in less than one year.

5. Investments

The following is a summary of investments held at September 30, 2020:

Bond funds	$	430,160
Mutual funds		132,926
U.S. Treasury obligations		65,965
Total investments, at fair value		629,051
Certificates of deposit		319,956
Cash equivalents		1,763
	$	950,770

Net investment return for the year ended September 30, 2020 is summarized as follows:

Interest and dividends	$	23,621
Net increase in the fair value of investments		32,986
	$	56,607

6. Beneficial Interest in Assets Held by the Oregon Community Foundation

The Academy established the Saturday Academy Endowment Fund (the "Fund") at OCF, which holds and invests it as a component fund for the benefit of the Academy.

The Fund was established through a transfer of assets to OCF in return for the contractual promise of a perpetual stream of future distributions back to the Academy, based on OCF's spending rate and related policies (described below). Although OCF accepted the transferred assets subject to its own variance power, the Academy has retained a future economic beneficial interest in the transferred assets, having named itself as the beneficiary of the transferred funds and related future investment return. As of September 30, 2020, management believes that future distributions from OCF are capable of fulfillment and consistent with OCF's mission.

The Academy accounts for its interest in the Fund using the equity method of accounting, which approximates the present value of the estimated expected future cash flow that will inure to the Academy in the future. Management's estimate of fair value is based solely upon information provided by OCF.

Changes in the Academy's beneficial interest in the Fund for the year ended September 30, 2020 are summarized as follows:

Balance at beginning of year	$	210,088
Net change in the beneficial interest in assets held by OCF		10,869
Appropriation of endowment assets for expenditure		(8,669)
Balance at end of year	$	212,288

Under the terms of its agreements with OCF, the Fund is invested at the discretion of OCF and is held in a mixture of asset classes designed to maximize return while minimizing risk. The Academy is entitled to annual distributions of the net investment return earned on these assets (generally 4.35% of the average fair market value of the funds using a trailing 13-quarter average). Additional distributions can be made at any time by the affirmative vote of the majority of the Academy's Board of Directors and the approval of OCF. During the year ended September 30, 2020, distributions made to the Academy totaled $8,669.

7. Beneficial Interest in Charitable Remainder Unitrust

The Academy is the beneficiary of one irrevocable charitable remainder unitrust. Upon the deaths of the income beneficiaries, the Academy will receive 1/4 of the remaining assets of the charitable remainder unitrust. Total trust assets at September 30, 2020 are valued at $1,084,059, of which $271,015 represents the Academy's share. A beneficial interest in the charitable remainder unitrust of $114,446 is recorded at September 30, 2020, representing the actuarially-determined present value of the estimated future cash flows that will inure to the Academy, using a discount rate of 5.8%.

Changes in the Academy's beneficial interest in the charitable remainder unitrust for the year ended September 30, 2020 are summarized as follows:

Balance at beginning of year	$	136,640
Net change in beneficial interest		(22,194)
Balance at end of year	$	114,446

8. Property and Equipment

A summary of property and equipment at September 30, 2020 is as follows:

Computer equipment and software	$	436,342
Furniture and equipment		31,447
		467,789
Less accumulated depreciation and amortization		(279,681)
	$	188,108

9. Net Assets with Donor Restrictions

The following summarizes Saturday Academy's net assets with donor-imposed restrictions as of September 30, 2020:

Expendable net assets restricted for the following purposes:		
After school classes	$	56,000
Gail Whitney Fund [1]		50,596
Girls Engage Technology program		33,668
Tuition assistance		24,700
Native American student assistance		20,210
Apprenticeships in science and engineering		20,000
		205,174
Endowment restricted for the following purpose:		
Scholarships *(note 10)*		212,288
Other donor-restricted net assets:		
Beneficial interest in charitable remainder unitrust *(note 7)*		114,446
Total net assets with donor restrictions	$	531,908

[1] The Gail Whitney Fund for Innovation was created in the fall of 2008. Contributions to the fund are restricted for experimentation and strategic endeavors in programming, growth, organizational sustainability, outreach, and community engagement. The Board of Directors has the discretion to support specific projects, especially those regarded as innovative.

10. Endowment

The following summarizes the Academy's donor-restricted, endowment-related activities for the year ended September 30, 2020:

	With donor restrictions		
	Accumulated endowment return	Endowment principal	Total
Endowment net assets at beginning of year	$ 35,626	174,462	210,088
Contributions	–	–	–
Net change in the beneficial interest in assets held by the Oregon Community Foundation	10,869	–	10,869
Appropriation of endowment assets for expenditure	(8,669)	–	(8,669)
Endowment net assets at end of year	$ 37,826	174,462	212,288

Interpretation of Relevant Law – The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") governs Oregon charitable institutions with respect to the management, investment and expenditure of donor-restricted endowment funds.

The Academy's Board of Directors has interpreted Oregon's adoption of UPMIFA as requiring the Academy to adopt investment and spending policies that are designed to preserve the fair value of the original gift as of the date of gift, absent explicit donor stipulations to the contrary. Although the Academy has a long-term fiduciary duty to the donor (and to others) for a fund of perpetual duration, the preservation of the 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 the endowment's original gift may be appropriated for expenditure in support of the restricted 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 Academy classifies as endowment principal (1) the original value of endowment gifts, (2) subsequent gifts to the endowment, and (3) accumulations to the endowment made pursuant to the direction of the applicable donor gift instrument.

Net earnings (realized and unrealized) on the investment of endowment assets are classified as accumulated endowment return until those amounts are appropriated for expenditure by the Academy in a manner consistent with the standard of prudence prescribed by UPMIFA and until expended in a manner consistent with the purpose or time restrictions, if any, imposed by the donor. Any investment return classified as endowment principal represents only those amounts required to be retained permanently 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 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 Academy to retain as a fund of perpetual duration. In addition, the Academy's Board of Directors interprets UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law, and the Academy has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater.

Investment and Spending Policies – In accordance with UPMIFA, the Academy's Board of Directors has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs and operations supported by its endowment, while also seeking to maintain the long-term purchasing power of the endowment assets. Therefore, the Board of Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Academy and the fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Academy; and
- The investment policies of the Academy.

Actual endowment return earned in excess of distributions under this policy is reinvested as part of the Academy's endowment management. For years when actual endowment return is less than distributions under the policy, the short-fall is covered by realized and unrealized returns from prior years. If cumulative endowment return is exhausted, any remaining loss or appropriation reduces endowment principal. In years when the overall endowment is underwater, the Board may permit continued spending from principal only in accordance with its policies for spending from underwater endowments. See *Endowments with Deficiencies*.

During the year ended September 30, 2020, the Board appropriation of donor-restricted assets totaled $8,669.

11. Net Assets Released from Restrictions

During the year ended September 30, 2020, the Academy incurred in expenses in satisfaction of the restricted purposes specified by donors, satisfied the restrictions by the occurrence of other events, or release of restrictions by donors. Accordingly, corresponding amounts have been reported as a reclassification from net assets with donor restrictions to those without donor restrictions in the accompanying statement of activities.

Total net assets released from restrictions are summarized as follows:

Satisfaction of restrictions for operating purposes	$	146,134
Release of restrictions by donors in response to COVID-19		61,291
	$	207,425

12. Expenses

The costs of providing the various programs and activities of the Academy have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the organization and, therefore, require allocation on a reasonable basis that is consistently applied. Those expenses include depreciation and other facility-related costs, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, insurance, and other expenses, which are allocated on the basis of estimates of time and effort.

13. Retirement Plan

The Academy provides employees with a qualified retirement plan, as described under Section 401(k) of the Internal Revenue Code. The plan covers all eligible employees who have reached the age of 21 and have completed six months of service with the Academy. Participating employees may make voluntary contributions to the plan on a pre-tax basis, subject to limits allowed by law. In addition, the Academy may make contributions on a discretionary basis, as determined by the Board of Directors.

Beginning in fiscal year 2014, the Board of Directors approved a 3% match of employee contributions to the plan. As such, the Academy's contributions to the plan totaled $17,049 for the year ended September 30, 2020. Employees select among several investment options. Contributions to the plan from both the employees and the Academy vest as contributed.

14. Operating Leases

The Academy leases administrative and classroom facilities under an operating lease that expires in 2021. The Academy also leases office equipment under non-cancelable operating leases that expire in 2022.

At September 30, 2020, the approximate minimum rental commitments under these leases are as follows:

Years ending September 30,		
2021	$	36,861
2022		3,980
	$	40,841

Rent expense for the above leases totaled $51,704 for the year ended September 30, 2020.

In October of 2020, the Academy terminated the operating lease for administrative and classroom facilities at a cost of $8,784 after which no additional commitments under the lease remain.

15. Fair Value Measurements

Included in the accompanying financial statements are certain financial instruments carried at fair value.

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale; similarly, the fair value of a liability is the amount at which the liability could be transferred in a current transaction between willing parties. Fair values are based on quoted market prices when available.

When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality.

All financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined under generally accepted accounting principles. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities and the lowest ranking to fair values determined using methodologies and models with unobservable inputs, as follows:

- *Level 1* – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
- *Level 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement.

At September 30, 2020, the following financial assets are measured at fair value on a recurring basis:

		Level 1	Level 3	Total
Investments *(note 5)*	$	629,051	–	629,051
Beneficial interest in assets held by the Oregon Community Foundation *(note 6)*		–	212,288	212,288
Beneficial interest in charitable remainder unitrust *(note 7)*		–	114,446	114,446
	$	629,051	326,734	955,785

See notes 6 and 7, respectively, for a summary of the beneficial interest in assets held by OCF and the beneficial interest in a charitable remainder unitrust associated activities for the year ended September 30, 2020.

16. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure within one year of the statement of financial position date comprise the following at September 30, 2020:

Total financial assets available:	
Cash and cash equivalents	$ 219,746
Accounts receivable	22,450
Contribution and grants receivable	17,700
Investments	950,770
Beneficial interest in assets held by the Oregon Community Foundation	212,288
	1,422,954
Less financial assets not available within the year ending September 30, 2021:	
Financial assets restricted by donors for endowment	(212,288)
Financial assets restricted by donors for innovation fund	(50,596)
	(262,884)
Plus other funds subject to appropriation for expenditure:	
Fiscal year 2021 endowment appropriations for operations	8,750
	$ 1,168,820

As part of its liquidity management, the Academy has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Academy invests cash in excess of daily requirements in short-term investments, certificates of deposit, and money market funds.

17. Reconciliation of Statement of Cash Flows

The following presents a reconciliation of the decrease in net assets (as reported on the statement of activities) to net cash used in operating activities (as reported on the statement of cash flows):

Decrease in net assets	$ (288,801)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Bad debt	6,000
Depreciation and amortization	36,319
Net change in the beneficial interest in assets held by the Oregon Community Foundation	(10,869)
Net increase in the fair value of investments *(note 5)*	(32,986)
Distribution of investment return earned on assets held by the Oregon Community Foundation	8,669
Net change in the beneficial interest in charitable unitrust	22,194
Net changes in:	
Accounts receivable	(4,937)
Grants and contributions receivable	148,090
Prepaid expenses and other assets	1,354
Accounts payable and accrued liabilities	(9,068)
Accrued payroll and related liabilities	2,301
Deferred revenue	(35,919)
Total adjustments	131,148
Net cash used in operating activities	$ (157,653)

18. Coronavirus Pandemic

In December of 2019, an outbreak of a novel strain of coronavirus (COVID-19), originated in Wuhan, China, and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including Oregon, have declared a public health state of emergency, ordering the public to stay at home, closing specified businesses, and requiring social distancing measures for most public and private facilities.

Moreover, the fear and uncertainty of the global pandemic is seen as a threat to the global economy and to the financial markets in which the Academy invests its funds.

It is anticipated that the effects of these events will continue for some time, including continuing disruptions to, or restrictions on, our employees' ability to work and on the ability of our patrons, customers and other constituents to fully participate in our programs and continue their current level of financial support to the organization. Immediate impacts have included the cancellation of in-person instruction and the transition to delivering certain instruction and other program services online.

The organization continues to take measures to adapt the delivery of its programming in order to keep its employees and constituents safe, as well as facilitate ongoing availability of its services, and execution of its mission.

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BOARD OF DIRECTORS AND MANAGEMENT

AT SEPTEMBER 30, 2020

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Elizabeth Silberg, BS, *Treasurer*
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Director of Operations

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