



Gary McGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

Rural Development Initiatives, Inc.

Financial Statements and Other Information
as of and for the Year Ended December 31, 2018
and Report of Independent Accountants

RURAL DEVELOPMENT INITIATIVES, INC.

TABLE OF CONTENTS

	Page
Report of Independent Accountants	3
Financial Statements:	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9
Other Information:	
Inquiries and Other Information	19

REPORT OF INDEPENDENT ACCOUNTANTS

*The Board of Directors
Rural Development Initiatives, Inc.:*

We have audited the accompanying financial statements of Rural Development Initiatives, Inc., which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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 Rural Development Initiatives, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Emphasis of Matter

As discussed in note 4 to the financial statements, in 2018, Rural Development Initiatives, Inc. adopted FASB Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Summarized Comparative Information

We have previously audited Rural Development Initiatives, Inc.’s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 21, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Camp & Co. LLP". The signature is written in a cursive, flowing style.

March 22, 2019

RURAL DEVELOPMENT INITIATIVES, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

(WITH COMPARATIVE AMOUNTS FOR 2017)

	2018	2017
Assets:		
Cash and cash equivalents	\$ 651,756	542,518
Grants receivable (<i>note 5</i>)	102,495	15,500
Accounts receivable	10,044	12,095
Prepaid expenses and other assets	18,964	17,950
Beneficial interest in assets held by the Oregon Community Foundation (<i>note 6</i>)	59,448	399,150
Property and equipment (<i>note 7</i>)	9,598	10,716
Total assets	\$ 852,305	997,929
Liabilities:		
Accounts payable and accrued expenses	19,191	14,010
Accrued payroll and related expenses	56,380	90,934
Deferred revenue	–	4,650
Total liabilities	75,571	109,594
Net assets:		
Without donor restrictions:		
Available for programs and general operations	334,956	491,395
Board-designated (<i>note 8</i>)	53,958	43,656
Net investment in capital assets	9,598	10,716
Total net assets without donor restrictions	398,512	545,767
With donor restrictions (<i>note 9</i>)	378,222	342,568
Total net assets	776,734	888,335
Commitments and contingencies (<i>notes 5, 14, 15, and 16</i>)		
Total liabilities and net assets	\$ 852,305	997,929

See accompanying notes to financial statements.

RURAL DEVELOPMENT INITIATIVES, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018			2017
	Without donor restrictions	With donor restrictions	Total	
Revenues, gains, and other support:				
Grants and contributions <i>(note 11)</i>	\$ 9,129	1,186,546	1,195,675	1,177,124
Contract and program revenues	133,849	—	133,849	130,448
Net increase in the beneficial interest in assets held by the Oregon Community Foundation <i>(note 6)</i>	10,302	(4)	10,298	52,222
Interest income	3,768	—	3,768	4,384
Other	1,455	—	1,455	3,104
Total revenues and gains	158,503	1,186,542	1,345,045	1,367,282
Net assets released from restrictions <i>(note 12)</i>	1,150,888	(1,150,888)	—	—
Total revenues, gains, and other support	1,309,391	35,654	1,345,045	1,367,282
Expenses <i>(note 13):</i>				
Program services:				
Networking and program development	393,211	—	393,211	462,014
Rural leadership	367,114	—	367,114	375,200
Rural economies	312,173	—	312,173	369,992
Rural voices and priorities	64,887	—	64,887	97,304
Total program services	1,137,385	—	1,137,385	1,304,510
Supporting services:				
Management and general	306,712	—	306,712	468,797
Fundraising	12,549	—	12,549	9,062
Total supporting services	319,261	—	319,261	477,859
Total expenses	1,456,646	—	1,456,646	1,782,369
Increase (decrease) in net assets	(147,255)	35,654	(111,601)	(415,087)
Net assets at beginning of year	545,767	342,568	888,335	1,303,422
Net assets at end of year	\$ 398,512	378,222	776,734	888,335

See accompanying notes to financial statements.

RURAL DEVELOPMENT INITIATIVES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018				Total	Supporting services		Total	2017
	Program services					Management and general	Fundraising		
	Networking and program development	Rural leadership	Rural economies	Rural voices and priorities					
Salaries and related costs	\$ 250,450	225,746	209,585	45,249	731,030	248,282	10,593	989,905	1,218,444
Travel	22,318	29,392	23,536	5,663	80,909	25,668	24	106,601	121,061
Catering for conferences and trainings	36,296	42,132	4,613	118	83,159	778	—	83,937	50,677
Consultants	29,036	18,956	41,264	6,557	95,813	15,890	—	111,703	182,817
Information technology	897	127	576	—	1,600	42,206	—	43,806	41,165
Occupancy and rentals	9,400	2,888	—	—	12,288	38,204	—	50,492	62,153
Office expenses	3,734	979	384	—	5,097	8,626	730	14,453	31,700
Curriculum materials	847	11,290	3,007	1,070	16,214	98	3	16,315	14,186
Accounting and legal fees	—	—	—	—	—	20,812	—	20,812	21,546
Depreciation and amortization	—	—	—	—	—	5,046	—	5,046	16,686
Staff development	1,795	40	25	325	2,185	1,922	—	4,107	8,720
Marketing	76	17	—	—	93	3,103	15	3,211	1,770
Insurance	—	—	—	—	—	6,258	—	6,258	6,444
Grants	—	—	—	—	—	—	—	—	5,000
Total expenses before allocation of shared costs	354,849	331,567	282,990	58,982	1,028,388	416,893	11,365	1,456,646	1,782,369
Allocation of shared costs	38,362	35,547	29,183	5,905	108,997	(110,181)	1,184	—	—
Total expenses	\$ 393,211	367,114	312,173	64,887	1,137,385	306,712	12,549	1,456,646	1,782,369

See accompanying notes to financial statements.

RURAL DEVELOPMENT INITIATIVES, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
Cash flows from operating activities:		
Cash received from contractors, grantors, contributors, and others	\$ 1,241,225	1,274,643
Cash received from interest	3,768	4,384
Cash paid to employees and suppliers	(1,481,987)	(1,787,033)
Net cash used in operating activities	(236,994)	(508,006)
Cash flows from investing activities:		
Distributions received from beneficial interest in assets held by the Oregon Community Foundation	350,000	–
Purchase of capital assets	(3,928)	(3,084)
Proceeds from the sale of capital assets	160	980
Reinvested interest income	–	(2,573)
Proceeds from sale of investments	–	258,901
Net cash provided by investing activities	346,232	254,224
Net increase (decrease) in cash and cash equivalents	109,238	(253,782)
Cash and cash equivalents at beginning of year	542,518	796,300
Cash and cash equivalents at end of year	\$ 651,756	542,518

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

1. Organization

Rural Development Initiatives, Inc. (“RDI”) strengthens rural people, places, and economies in the Pacific Northwest.

RDI is a Pacific Northwest-based 501(c)(3) non-profit established in 1991 with headquarters in Eugene, Oregon. RDI’s main priorities include developing networks of rural leaders, revitalizing rural economies, and elevating rural voices and priorities. RDI strives to help rural people and communities achieve their visions and goals and holds the uncompromised belief that solutions and priorities, driven by local people, are key to achieving them.

RDI facilitates collaboration among neighboring regions, innovative partners, and resource providers to achieve strong and sustainable rural communities. RDI provides the training, networking opportunities, and connection to resources to help rural communities thrive. Since its inception, RDI has trained, planned with, and supported over 10,000 rural leaders working for community and economic vitality from more than 350 rural communities throughout the Pacific Northwest.

2. Program Services

During the year ended December 31, 2018, RDI incurred program service expenses in the following major categories:

Develop Networks of Rural Leaders – *Services that provide capacity-building and educational activities for individuals in rural communities.* RDI’s work ensures there is a critical mass of rural leaders in the Pacific Northwest who are diverse, inclusive, highly skilled, and well connected. Rural people take the lead on issues, projects, and with organizations whose impacts mean the most to them.

Revitalize Rural Economies – *Services that move communities and regions to action and implement innovative strategies to build community wealth, jobs, and prosperity.* RDI supports residents of rural communities who are actively working to improve the economic well-being of their communities by strengthening local businesses, fostering productive economic development ecosystems, enhancing local markets, and attracting investment. RDI’s responsive Rural Economy services include WealthWorks Northwest, Pasos al Éxito (Steps to Success), Economic Vitality Roadmaps, Business Retention and Expansion, First Impressions, and Downtown Development programs.

Elevate Rural Voices and Priorities – *Customized services responsive to the needs of rural communities, organizations, and governmental agencies.* RDI demands that rural priorities and interests, shaped by a diversity of rural people, are at the forefront of statewide and regional discussions and decisions. RDI strives to ensure rural leaders, voices, and issues are equitably represented in public discourse and decision-making. Services include leveraging our resources, networks, and organizational voice to advance rural vitality, heighten the capacity of the network of rural leaders to advocate on behalf of their interests, advance and promote rural priorities, contracts for strategic planning, community visioning processes, and more.

Networking and Program Development – *Services promoting RDI as a learning and collaborative organization.* RDI provides opportunities for people who work on behalf of rural interests to come together to learn from and support each other. Additionally, RDI builds successful, flexible collaborations with partners and stakeholders to solve complex community and regional issues. These relationships support and strengthen RDI’s work to benefit rural communities and work toward collective impact.

3. Summary of Significant Accounting Policies

The significant accounting policies followed by RDI 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 RDI 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 RDI Board of Directors may designate from 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 RDI and/or the passage of time. These balances represent the unexpended portion of donor-restricted contributions and investment return to be used for specific programs and activities as directed by the donor. The balances also include net assets subject to donor-imposed stipulations that they be maintained permanently by RDI (e.g., endowment funds). Generally, the donors of these assets permit RDI 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 also are 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, RDI considers all liquid investments having initial maturities of three months or less to be cash equivalents.

Capital Assets and Depreciation – Property and equipment are carried at cost when purchased and initially at fair value when acquired by gift. Capital assets having a unit cost of \$1,000 or more and an estimated useful life of more than one year are capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which is generally the shorter the of useful life of the asset or the term of the lease for leasehold improvements, 7 years for furniture and equipment, 3 years for web site development, and 3 to 5 years for software and computer equipment. Maintenance and repair costs are expensed as incurred.

RDI periodically reviews the carrying amount of its capital assets whenever events or circumstances provide evidence that suggest that the carrying amount may not be recoverable. As of December 31, 2018, RDI does not believe there is any indication that the carrying value of its capital assets has been impaired during the year ended December 31, 2018.

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.

Unconditional contributions and grants receivable are reported net of an allowance for estimated uncollectible promises. Amortization of the discount is recorded as additional contribution revenue in subsequent years in the appropriate net asset class. 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 to be used to acquire capital assets with such donor stipulations are reported as net assets with donor restrictions; the restrictions are considered to be released at the time long-lived assets are placed into service.

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

In-kind contributions of land, buildings, equipment, or 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 RDI’s activities.

During the year ended December 31, 2018, no in-kind contributions were recorded.

Revenue Recognition – All grants and contributions are considered available for use without restrictions unless specifically restricted by the donor. Contract and program revenues are recognized as revenue at the time services are provided and the revenues are earned. Advance payments received on contract and program fees are reported as deferred revenue until services are delivered and revenue is earned.

Concentrations of Credit Risk – RDI’s financial instruments consist primarily of cash equivalents and money market funds, 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”).

All checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC for up to \$250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2018, RDI held \$100,769 in excess of the FDIC-insured limits.

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 RDI’s beneficial interest in assets held by OCF is dependent upon changes in the fair values of the underlying investments and the ability of OCF to honor its commitment.

Grants – Grants are accrued when awarded by the organization and unconditional. Grants are provided from available resources and in accordance with restrictions imposed by donors.

Advertising Expenses – Advertising and promotional costs are charged to expense as they are incurred.

Income Taxes – RDI is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. RDI derives its public charity status as an organization described in Section 170(b)(1)(A)(vi) of the Internal Revenue Code.

Subsequent Events – Subsequent events have been evaluated by management through March 22, 2019, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2017 – The accompanying financial information as of and for the year ended December 31, 2017 is presented for comparative purposes only and is 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.

4. Recently-Adopted Accounting Standards

On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and the availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. RDI implemented ASU No. 2016-14 during 2018, and has adjusted the presentation of these financial statements accordingly.

Net assets at December 31, 2017, as previously reported, are reclassified as follows:

	Without donor restrictions	With donor restrictions	Total
Unrestricted	\$ 545,767	–	545,767
Temporarily restricted	–	338,568	338,568
Permanently restricted	–	4,000	4,000
	\$ 545,767	342,568	888,335

5. Grants Receivable

Contributions and grants receivable at December 31, 2018 represent unconditional promises to be collected in less than one year totaling \$102,495.

Conditional Gifts and Grants

As of December 31, 2018, RDI had access to an additional \$48,810 in grants, the receipt of which was conditioned upon the incurring of allowable expenditures.

These grant revenues have not been included in the accompanying financial statements because the associated conditions had not been satisfied as of December 31, 2018.

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

RDI has established the Rural Development Initiatives, Inc. Endowment Fund (the “Fund”) at the Oregon Community Foundation (“OCF”), which holds and invests the fund as a component fund for the benefit of RDI.

The Fund was established through an initial transfer of assets to OCF in return for the contractual promise of a perpetual stream of future distributions back to RDI, based on OCF’s spending rate and related policies (described below). Although OCF accepted the transferred assets subject to its own variance power, RDI 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 December 31, 2018, management believes that future distributions from OCF are capable of fulfillment and consistent with OCF’s mission.

RDI 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 RDI in the future. Management’s estimate of fair value is based solely upon information provided by OCF.

Changes in RDI’s beneficial interest in this Fund for the year ended December 31, 2018 are summarized as follows:

Balance at beginning of year	\$ 399,150
Distribution received by RDI from beneficial interest in assets held by OCF	(350,000)
Net increase in the beneficial interest in assets held by OCF	10,298
<hr/>	
Balance at the end of year	<hr/> \$ 59,448

The Fund consisted of the following at December 31, 2018:

Board-designated endowment	\$ 53,958
Donor-restricted endowment	5,490
	<hr/> \$ 59,448

Under the terms of its agreement with OCF, the funds are invested at the discretion of OCF and are held in a mixture of asset classes designed to maximize return while minimizing risk. RDI is eligible to receive annual distributions of the net investment return earned on these assets (generally, 4.5% of the average fair market value of the funds using a trailing 13-quarter average).

During the year ended December 31, 2018, RDI received a distribution of \$350,000 from funds held by OCF that were available for general operations.

7. Property and Equipment

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

Computer equipment and software	\$ 40,040
Web development costs	54,732
Furniture and equipment	1,558
Leasehold improvements	31,994
	<hr/> 128,324
Less accumulated depreciation and amortization	(118,726)
	<hr/> \$ 9,598

8. Net Assets without Donor Restrictions

At December 31, 2018, \$53,958 of RDI's net assets without donor restrictions were designated by the Board of Directors for quasi-endowment.

9. Net Assets with Donor Restrictions

The following summarizes RDI's net assets with donor-imposed restrictions as of December 31, 2018:

*Expendable net assets restricted
for the following purposes:*

Rural Community Leadership	\$	270,403
Pasos al Éxito		46,904
Rural Economic Vitality		37,925
Capacity Building		15,000
Other programs		2,500
		<hr/>
		372,732
<i>Endowment unrestricted as to purpose (note 10)</i>		5,490
		<hr/>
Total net assets with donor restrictions	\$	378,222

10. Endowment

RDI's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowment. As required by generally accepted accounting principles, net assets associated with endowment, including funds designated by the Board of Directors to function as endowment, are classified and reported based on the existence or absence of donor imposed restrictions.

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

	With donor restrictions			Without donor restrictions	Total endow- ment
	Accumulated endowment return	Endowment principal	Total		
Endowment net assets at beginning of year	\$ 1,494	4,000	5,494	43,656	49,150
Appropriation by the Board for expenditure	—	—	—	—	—
Net increase (decrease) in the beneficial interest in assets held by the Oregon Community Foundation	(4)	—	(4)	10,302	10,298
Endowment net assets at end of year (<i>notes 6 and 9</i>)	\$ 1,490	4,000	5,490	53,958	59,448

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 Board of Directors has interpreted Oregon’s adoption of UPMIFA as requiring RDI to adopt investment and spending policies that preserve the fair value of the original gift as of the date of gift, absent explicit donor stipulations to the contrary. Although RDI 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 organization classifies as endowment principal (1) the original value of gifts donated to the donor-restricted endowment, (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 organization 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 RDI to retain as a fund of perpetual duration. In addition, the RDI Board of Directors interprets UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law, and RDI has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater. There were no endowment funds underwater at December 31, 2018.

Investment and Spending Policies – In accordance with UPMIFA, RDI’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 RDI 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 organization; and
- The investment policies of the organization.

To meet its objective, RDI’s policies limit the spending of investment income and appreciation to amounts approved for distribution by the Board of Directors. RDI’s spending policy is consistent with that of its endowment partner, OCF. OCF makes annual distributions up to 4.5% of the average fair market value of the funds using a trailing 13-quarter average.

RDI did not receive any appropriated endowment assets for the year ended December 31, 2018. See also note 6.

11. Grants and Contributions

Grants and contributions received during the year ended December 31, 2018 are summarized as follows:

Foundations and corporations	\$ 1,139,750
Regards to Rural sponsorships	39,700
Individuals and corporations	12,480
Government	3,745
	<hr/>
	\$ 1,195,675

Significant Sources of Revenue

During the year ended December 31, 2018, RDI received of a total of \$600,000 in grants from The Ford Family Foundation, representing approximately 45% of RDI's total revenues.

12. Net Assets Released from Restrictions

During the year ended December 31, 2018, net assets totaling \$1,150,888 were released from net assets with donor restrictions by incurring expenses in satisfaction of the restricted purpose, or by the occurrence of other events specified by donors.

13. Expenses

The costs of providing the various programs and other activities of RDI 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.

Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. 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 amortization, and other facility-related costs, salaries and wages, benefits, payroll taxes, travel, conference and training related costs, professional services, office expenses, insurance, and other expenses, which are allocated on the basis of estimates of time and effort.

14. Contingencies

Certain amounts received or receivable under the organization's governmental contracts are subject to audit and adjustment by the contracting agencies. Any expenditures or claims disallowed as a result of such audits would become a liability of the organization's general operating fund. In the opinion of the organization's management, any adjustments that might result from such audits would not be material to the organization's overall financial statements.

15. Unemployment Insurance

The organization is self-insured for unemployment claims under a plan administered by a third party. Annually, the administrator recommends the organization's contributions to the plan to pay future unemployment claims as they arise. For the year ended December 31, 2018, the organization had a deposit balance in the plan of \$4,683, reported among prepaid expenses and other assets. As of December 31, 2018, RDI has recorded an estimated liability for future claim costs totaling \$8,184.

16. Retirement Plan

RDI 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 18 and have completed six months of service with RDI. Participating employees may make voluntary contributions to the plan on either a pre-tax or after-tax basis, subject to limits allowed by law. In addition, RDI makes voluntary contributions up to 3.0% of the employee's annual salary. Both employer and employee contributions are 100% vested immediately. Retirement plan expense for the year ended December 31, 2018 totaled \$23,215.

17. 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 December 31, 2018:

<i>Total financial assets:</i>	
Cash and cash equivalents	\$ 651,756
Grants receivable	102,495
Accounts receivable	10,044
Beneficial interest in assets held by the Oregon Community Foundation	59,448
	823,743
<i>Less financial assets not available within the year ending December 31, 2019:</i>	
Financial assets restricted by donors for endowment	(5,490)
Financial assets designated by the Board for quasi-endowment	(53,958)
	(59,448)
	\$ 764,295

As part of its liquidity management, RDI has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

In addition, RDI holds quasi-endowment funds totaling \$53,958 (see note 8). Although RDI does not intend to spend from its quasi-endowment, amounts from its quasi-endowment could be made available, if necessary.

18. 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. Unobservable inputs reflect RDI's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date. Accordingly, this category includes RDI's beneficial interests in assets held by OCF and similar portfolios where it does not have direct investment authority and where its financial interests do not trade in public markets.

At December 31, 2018, RDI's beneficial interest in assets held by OCF is considered to be a Level 3 financial instrument. See note 6 for a summary of the beneficial interest in assets held by OCF and the associated activity for the year ended December 31, 2018.

19. Statement of Cash Flows Reconciliation

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	\$ (111,601)
<hr/>	
<i>Adjustments to reconcile decrease in net assets to net cash used in operating activities:</i>	
Depreciation and amortization	5,046
Net increase in beneficial interest in assets held by the Oregon Community Foundation	(10,298)
Gain on the sale of capital assets	(160)
<i>Net changes in:</i>	
Grants receivable	(86,995)
Accounts receivable	2,051
Prepaid expenses and other assets	(1,014)
Accounts payable and accrued expenses	5,181
Accrued payroll and related expenses	(34,554)
Deferred revenue	(4,650)
<hr/>	
Total adjustments	(125,393)
<hr/>	
Net cash used in operating activities	\$ (236,994)
<hr/>	

■

RURAL DEVELOPMENT INITIATIVES, INC.

INQUIRIES AND OTHER INFORMATION

RURAL DEVELOPMENT INITIATIVES, INC.
150 Shelton McMurphey Boulevard, Suite 201
Eugene, Oregon 97401

(541) 684-9077
(541) 684-8993 Fax

Web
www.rdiinc.org

