

**FRIENDS OF THE COLUMBIA GORGE, INC.
& SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

Year Ended June 30, 2017



**Friends of the
Columbia Gorge**

**FRIENDS OF THE COLUMBIA GORGE, INC.
& SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Friends of the Columbia Gorge, Inc. & Subsidiary
Portland, Oregon

We have audited the accompanying consolidated financial statements of Friends of the Columbia Gorge, Inc. & Subsidiary (a non-profit organization), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related consolidated notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Friends of the Columbia Gorge, Inc. & Subsidiary as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

KERN & THOMPSON, LLC

To the Board of Directors
Friends of the Columbia Gorge, Inc. & Subsidiary

Other Matters

Report on Summarized Comparative Information

We have previously audited the Friends of the Columbia Gorge, Inc. & Subsidiary's June 30, 2016 consolidated financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 4, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KERN & THOMPSON, LLC

Portland, Oregon
September 26, 2017

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2017

(With Comparative Totals as of June 30, 2016)

ASSETS

	2017	2016
Cash and cash equivalents	\$ 1,452,250	\$ 1,300,067
Investment interest receivable	43,360	41,799
Investments	7,494,182	7,441,596
Grants and bequests receivable	1,421,984	2,095,089
Prepaid expenses	66,698	71,719
Property and equipment, net of accumulated depreciation of \$144,237 and \$107,586, respectively	373,561	410,212
Land trust	9,184,359	7,046,237
Total assets	\$ 20,036,394	\$ 18,406,719

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 38,196	\$ 43,466
Accrued vacation and benefits	26,980	23,269
Accrued interest	12,134	-
Note payable	1,640,000	300,000
Total liabilities	1,717,310	366,735
Net assets		
Unrestricted		
Available for operations	436,242	621,255
Net investment in property and equipment	373,561	410,212
Net investment in land and easements	7,544,359	6,746,237
Board designated - projects	610,591	1,014,127
Board designated - endowment	2,193,359	2,101,943
	11,158,112	10,893,774
Temporarily restricted	3,769,730	3,806,218
Permanently restricted	3,391,242	3,339,992
Total net assets	18,319,084	18,039,984
Total liabilities and net assets	\$ 20,036,394	\$ 18,406,719

See notes to consolidated financial statements.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

(With Comparative Totals for the Year Ended June 30, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
	2017	2016	2017	2016	2016
Public support and other revenue					
Foundations	\$ 47,855	\$ 240,000	\$ -	\$ 287,855	\$ 220,082
Contributions	35,295	990,299	1,250	1,026,844	3,984,475
Bequests	54,540	-	50,000	104,540	8,333
Memberships	689,121	-	-	689,121	672,985
Mitigation and legal cost recovery	-	-	-	-	395,553
Interest income	30,408	99,641	-	130,049	210,345
Gain (loss) on land sale	-	-	-	-	10,133
Other	53,624	-	-	53,624	56,490
	910,843	1,329,940	51,250	2,292,033	5,558,396
Net assets released from restrictions					
Satisfaction of purpose	1,508,991	(1,508,991)	-	-	-
Total public support and other revenue	2,419,834	(179,051)	51,250	2,292,033	5,558,396
Expenses					
Program services					
Conservation	376,499	-	-	376,499	289,352
Gorge Towns to Trails	207,527	-	-	207,527	175,258
Land Trust	356,653	-	-	356,653	362,487
Legal	329,437	-	-	329,437	220,664
Lobbying	39,376	-	-	39,376	30,466
Outreach and Outdoor Program	306,787	-	-	306,787	341,030
Total program services	1,616,279	-	-	1,616,279	1,419,257
Supporting services					
Management and general	243,201	-	-	243,201	215,047
Fund-raising	530,369	-	-	530,369	413,060
Total expenses	2,389,849	-	-	2,389,849	2,047,364
Increase (decrease) in net assets before change in investments	29,985	(179,051)	51,250	(97,816)	3,511,032
Net realized and unrealized appreciation (depreciation) of investments	234,353	142,563	-	376,916	(161,072)
Change in net assets	264,338	(36,488)	51,250	279,100	3,349,960
Net assets, beginning of year	10,893,774	3,806,218	3,339,992	18,039,984	14,690,024
Net assets, end of year	\$ 11,158,112	\$ 3,769,730	\$ 3,391,242	\$ 18,319,084	\$ 18,039,984

See notes to consolidated financial statements.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	PROGRAM SERVICES						SUPPORTING SERVICES		Total		
	Conser- vation	Gorge Towns to Trails	Land Trust	Legal	Lobbying	Outreach and Outdoor	Program Total	Manage- ment and General	Fund- Raising	2017	2016
Salaries	\$ 202,089	\$ 75,089	\$ 111,798	\$ 111,316	\$ 6,798	\$ 137,763	\$ 644,853	\$ 95,978	\$ 229,967	\$ 970,798	\$ 891,859
Payroll taxes	17,190	6,372	9,505	9,448	581	11,655	54,751	8,144	19,543	82,438	77,214
Benefits	40,692	15,130	22,517	22,415	1,366	27,802	129,922	19,326	46,293	195,541	177,187
Rent	16,508	10,427	10,996	8,348	515	10,272	57,066	7,196	17,274	81,536	64,696
Printing	3,157	1,450	988	1,122	56	13,032	19,805	893	38,478	59,176	52,056
Publication costs	9,661	3,931	3,190	2,744	-	19,361	38,887	4,157	7,618	50,662	42,329
Prospect costs	-	-	-	-	-	-	-	-	5,350	5,350	7,092
Postage	3,462	1,403	1,444	1,325	39	5,883	13,556	1,089	12,195	26,840	26,329
Office supplies	849	306	1,099	433	21	1,559	4,267	713	1,248	6,228	4,525
Telephone	3,463	1,802	1,936	892	54	2,603	10,750	769	2,684	14,203	13,992
Database and website	21,387	34,955	5,803	4,104	237	11,082	77,568	3,955	38,778	120,301	50,193
Training	-	-	2,096	1,313	-	1,599	5,008	1,577	1,663	8,248	3,622
Equipment maintenance	1,987	188	2,090	258	15	661	5,199	555	1,085	6,839	6,836
Dues and subscriptions	1,143	1,875	4,075	3,256	450	1,150	11,949	275	200	12,424	9,460
Insurance	1,200	446	3,260	661	40	817	6,424	4,057	3,453	13,934	12,932
Event costs	3,525	1,654	999	506	81	24,330	31,095	4,197	23,751	59,043	55,815
Professional and contract services	28,556	33,004	10,703	155,411	28,246	10,904	266,824	59,948	58,586	385,358	257,609
Travel	11,073	6,263	7,136	2,463	677	14,433	42,045	4,363	6,760	53,168	46,463
Merchandise expense	-	-	-	-	-	3,460	3,460	-	9,682	13,142	5,913
Land acquisition expense	-	-	73,198	-	-	-	73,198	-	-	73,198	75,250
Land maintenance	-	10,425	63,965	-	-	-	74,390	-	-	74,390	110,005
Miscellaneous expense	2,229	1,333	2,253	1,236	67	5,709	12,827	24,468	3,087	40,382	27,963
Depreciation	8,328	1,474	17,602	2,186	133	2,712	32,435	1,541	2,674	36,650	28,024
	\$ 376,499	\$ 207,527	\$ 356,653	\$ 329,437	\$ 39,376	\$ 306,787	\$ 1,616,279	\$ 243,201	\$ 530,369	\$ 2,389,849	\$ 2,047,364

See notes to consolidated financial statements.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

(With Comparative Totals for the Year Ended June 30, 2016)

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 279,100	\$ 3,349,960
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	36,651	28,024
Net realized and unrealized (appreciation) depreciation of investments	(376,916)	161,072
Loss (gain) on land sale	-	(10,133)
Changes in assets and liabilities:		
Investment interest receivable	(1,561)	(8,384)
Grants and bequests receivable	693,116	(1,980,542)
Prepaid expenses	5,021	(18,736)
Accounts payable	(5,270)	(7,552)
Accrued vacation and benefits	(16,300)	3,615
Other liability	12,134	-
Net cash provided by (used in) operating activities	625,975	1,517,324
Cash flows from investing activities:		
Proceeds from sale of investments	2,007,484	3,087,131
Purchase of investments	(1,683,154)	(4,031,645)
Purchase of property and equipment	-	(130,588)
Sale of land in trust	-	114,500
Purchase of land in trust	(698,122)	(978,461)
Net cash provided by (used in) investing activities	(373,792)	(1,939,063)
Cash flows from financing activities:		
Payments on long term debt	(100,000)	-
Net cash provided by (used in) financing activities	(100,000)	-
Net change in cash and cash equivalents	152,183	(421,739)
Cash and cash equivalents, beginning of year	1,300,067	1,721,806
Cash and cash equivalents, end of year	\$ 1,452,250	\$ 1,300,067
Supplemental disclosure of non-cash investing and financing transactions:		
Land trust property acquired in exchange for note	\$ 1,440,000	\$ 300,000

See notes to consolidated financial statements.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017

NOTE A – DESCRIPTION OF ORGANIZATION

Friends of the Columbia Gorge, Inc. (Friends) was incorporated in Oregon in 1981 as a private not-for-profit entity. Its purpose is to protect the scenic, natural, cultural, historic and recreational values of the Columbia River Gorge (Gorge), encourage compatible economic development within the urban areas along the Gorge and educate the public to obtain effective implementation of the National Scenic Area Act. In February of 2007, Friends funded a wholly-owned subsidiary, The Friends of the Columbia Gorge Land Trust (collectively, the Organization). The Organization conducts the following programs:

- **Conservation** – The Organization works to protect the scenic and natural values of the Gorge by protecting the air quality of the Gorge, limiting sprawl and protecting forest and farmlands.
- **Gorge Towns to Trails** – The Organization works to protect scenic and natural values, enhance recreation value and encourage compatible economic development by developing a comprehensive trail system around the Columbia Gorge, linking communities with new and existing trails and parks.
- **Land Trust** – The Organization works to ensure long-term protection of lands in the Gorge.
- **Legal** – When Gorge resources are threatened by unlawful decisions and violations, the Organization exercises its right to file legal challenges. Similarly, when Gorge decision makers protect Gorge resources by upholding the law, the Organization helps defend the decisions against challenges by development interests.
- **Lobbying** – The Organization conducts lobby activities to support laws that protect the Gorge's scenic and natural beauty.
- **Outreach and Outdoor Program** – The Organization works to inform and engage its members and the general public through education at events and seminars, stewardship projects on key lands, and public hikes throughout the Gorge.

Funds are provided from memberships, contributions and grants.

Basis of Consolidation

The consolidated financial statements include those of Friends and Friends of the Columbia Gorge Land Trust (the Land Trust). Both organizations are under common control since board members of Friends comprise a majority of the Board of Trustees of the Land Trust. There is also an element of economic interest since the Land Trust holds significant resources that must be used only for purposes of Friends. In accordance with generally accepted accounting principles, consolidation is required. All material inter-organizational transactions have been eliminated.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting, which recognizes revenue when earned and expenses when incurred. Transactions are classified according to the existence or absence of donor-imposed restrictions.

Basis of Presentation

The accompanying financial statements have been prepared to focus on the Organization as a whole and to present its financial position and activities according to three classes of net assets – unrestricted, temporarily restricted, and permanently restricted, as follows:

- **Unrestricted Net Assets** – Represent net assets that are not subject to donor-imposed stipulations.
- **Temporarily Restricted Net Assets** – Represent net assets subject to donor-imposed stipulations that will be met by action of the Organization and/or the passage of time.
- **Permanently Restricted Net Assets** – Represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Expiration of temporary 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. Expenses are reported as a decrease in unrestricted net assets.

Cash and Cash Equivalents

The Organization classifies as cash and cash equivalents all checking, savings, and money market accounts and all highly liquid investments maturing within 90 days of purchase.

Contributions

Contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

Estimates

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

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment over \$5,000 are capitalized, recorded at cost and depreciated using the straight-line method over estimated useful lives of 3-25 years. Donations of equipment and furniture are recorded as revenues at their estimated fair market values on the date of receipt. Maintenance and repairs are expensed. Betterments and renewals are capitalized as incurred.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to credit risk include cash and investments in marketable securities. Cash deposited with financial institutions regularly exceeds the related federal deposit insurance limits. To mitigate this risk, management has placed excess cash in U.S. Treasury-backed money market accounts. Management periodically evaluates the relative credit standings of these financial institutions. Management also periodically evaluates the quality of the investments in marketable securities with other institutions, which are partially covered by federal insurance. Future changes in market prices may make such investments less valuable. Whether or not the effect of market fluctuations will result in permanent or temporary losses cannot be reasonably estimated.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized in the Statement of Activities. Certain costs, including salaries, rent, printing and depreciation, have been allocated among the programs and supporting services benefited.

Investments and Fair Value Measurements

Investments are the only assets measured at fair value on a recurring basis. Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data by correlation such as appraisals or other means such as calculations based on contractual rates and published tables.

Level 3 – Unobservable inputs that reflect management's assumptions and best estimates based on available data.

Investments in bonds, equities, and mutual funds are carried at fair value based on quoted prices in active markets in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land Trust Assets

Assets held in the Land Trust consist of real property located in the Gorge acquired or donated to the Organization. Acquisitions of real property are carried at cost; donations are carried at fair value at the date of donation based on highest and best use, or discounted fair value if the highest and best use of the property conflicts with the Organization's mission.

Classification of Contributions and Net Assets

The Organization follows the guidance of generally accepted accounting principles for the classification of donor-restricted endowment funds that are subject to Oregon's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Directors has determined that Friends' permanently restricted assets are endowment funds.

Additionally, the Board of Directors has designated a portion of its unrestricted net assets for operations and special projects. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed stipulations.

The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. 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 various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment and Spending Policies

The goal of the Organization's investment program is to achieve a total rate of return that will allow it to respond to today's needs and the long-term growth necessary to respond to future needs. The investment objective is to retain (at a minimum) and when possible, increase the purchasing power of the funds, while at the same time producing a reasonable return for distribution to meet current needs. To meet this investment objective, the Organization follows a total-return strategy in which investment decisions are made with the intent of maximizing the long-term total return of the portfolio, combining market-value changes (realized and unrealized) and current yield (interest and dividends). Assets are invested in a mixture of equity funds and cash.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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

Prior Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

NOTE C – INVESTMENTS

Investments are measured at fair value in the statement of financial position based on quoted market price. Net realized and unrealized gains and losses are included in the statement of activities. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized. Investments consist of the following at June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bond and bond fund	\$ -	\$ 4,604,875	\$ -	\$ 4,604,875
Equities	2,008,801	-	-	2,008,801
Equity funds	854,821	-	-	854,821
Oregon Community Foundation	-	-	25,685	25,685
	<u>\$ 2,863,622</u>	<u>\$ 4,604,875</u>	<u>\$ 25,685</u>	<u>\$ 7,494,182</u>

All investments have been valued using a market approach. There were no changes in the valuation techniques during the year.

Changes in assets measured at Level 3 were as follows:

Balance, June 30, 2016	\$ 23,609
Gains included in the statement of activities	<u>2,076</u>
Balance, June 30, 2017	<u>\$ 25,685</u>

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

NOTE D – NOTES PAYABLE

As of June 30, 2017, notes payable consisted of:

Note payable for the purchase of land for \$1,440,000; secured by real property; annual interest and principle payments of \$390,166, rate is 4% per year; matures May of 2021.	\$ 1,440,000
Note payable for the purchase of land for \$300,000; secured by real property; annual interest and principle payments of \$108,105, rate is 4% per year; matures December of 2018.	<u>200,000</u>
	<u>\$ 1,640,000</u>

The current maturities of notes payable are as follows:

Year Ended June 30,	
2018	\$ 432,514
2019	445,816
2020	387,579
2021	<u>374,091</u>
	<u>\$ 1,640,000</u>

NOTE E – DESIGNATED NET ASSETS

The Board designated \$300,000 for staff capacity building and the Gorge Town to Trails program and \$310,591 for the upcoming land campaign. These Board-designated funds are not classified as endowment funds.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

NOTE F – ENDOWMENT NET ASSETS

The Board of Directors also designated a portion of its unrestricted net assets as a quasi-endowment.

Endowment net asset composition by type of fund as of June 30, 2017 was as follows:

	Board Designated <u>Unrestricted</u>	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-designated funds	\$ -	\$ 215,219	\$ 3,391,242	\$ 3,606,461
Board designated - endowment	<u>2,193,359</u>	<u>-</u>	<u>-</u>	<u>2,193,359</u>
Total endowment net assets	<u>\$ 2,193,359</u>	<u>\$ 215,219</u>	<u>\$ 3,391,242</u>	<u>\$ 5,799,820</u>

Changes in endowment net assets for the year ended June 30, 2017 were as follows:

	Board Designated <u>Unrestricted</u>	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 2,101,943	\$ 27,000	\$ 3,339,992	\$ 5,468,935
Contributions	38,034	-	51,250	89,284
Appropriations	53,382	(53,382)	-	-
Dividends	-	99,641	-	99,641
Investment gains (losses)	-	142,563	-	142,563
Expenditures	<u>-</u>	<u>(603)</u>	<u>-</u>	<u>(603)</u>
Endowment net assets, end of year	<u>\$ 2,193,359</u>	<u>\$ 215,219</u>	<u>\$ 3,391,242</u>	<u>\$ 5,799,820</u>

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

NOTE G – RESTRICTED NET ASSETS

As of June 30, 2017, the Organization had restricted net assets as follows:

Temporarily restricted:	
Clausen	\$ 7,648
Coal	19,362
Oil Program	21,771
Preserve the Wonder	626,808
Plan Review	7,449
Hiking	160
Gorge Wahoo	46,154
YARG Grant	67,437
Cape Horn acquisition fund	2,194,259
Emergency acquisition fund	374,512
Stewardship fund	162,981
Mt. Ulka	13,995
Encore	1,975
Land acquisition	10,000
Unappropriated endowment earnings	<u>215,219</u>
	<u>\$ 3,769,730</u>
Permanently restricted:	
Nancy Russell Endowment	\$ 187,242
Conservation director	3,000,000
Holman Fund	100,000
Wilson Endowment	14,000
Oregon Community Foundation	25,000
Land Trust Endowment	5,000
Vic Clausen Youth Fund	<u>60,000</u>
	<u>\$ 3,391,242</u>

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

NOTE H – JOINT COSTS

The Organization incurred joint costs for informational materials and activities that included fund-raising appeals during the year ended June 30, 2017. These costs were allocated as follows:

	Publication Costs	Prospect Costs	Total
Program services	\$ 43,044	\$ -	\$ 43,044
Fund-raising	7,618	5,350	12,968
	\$ 50,662	\$ 5,350	\$ 56,012

NOTE I – LEASES

The Organization entered into a new operating lease for office space beginning September 1, 2016. Office rent expense for the year ended June 30, 2017 amounted to \$59,897.

Future minimum lease payments, subject to Consumer Price Index adjustments on the office space, are as follows:

Year Ending June 30,			
2018		\$	84,801
2019			87,345
2020			89,965
2021			92,664
		\$	354,775

NOTE J – OPTION COMMITMENT

In January 2009, the Nancy Russell Trust (the Trust) assigned an option to purchase certain land from the Collins Trust located in Skamania County, Washington for \$2,000,000 to the Land Trust. Under the terms of the assignment agreement, the Land Trust is required to pay \$20,000 to the Collins Trust prior to July 31 each year in order to renew the right to exercise the purchase option. Additionally, the assignment agreement requires the Land Trust to pay the property taxes on the optioned land. Under the terms of the option agreement, the annual renewal fee will not be applied to the purchase price and is not refundable in the event the option is never exercised. The option can be renewed until August 2030.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2017

NOTE K – RETIREMENT PLAN

The Organization has a SIMPLE Individual Retirement Plan available for all permanent employees in which the Organization contributes up to a 3% match of employee contributions. The retirement expense for the year ended June 30, 2017 was \$6,116.

NOTE L – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 26, 2017, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2017

ASSETS

	Friends	Land Trust	Eliminations	Consolidated
Cash and cash equivalents	\$ 1,155,012	\$ 297,238	\$ -	\$ 1,452,250
Investment interest receivable	17,755	25,605	-	43,360
Investments	4,666,662	2,827,520	-	7,494,182
Grants and bequests receivable	1,189,484	232,500	-	1,421,984
Prepaid expenses	50,674	16,024	-	66,698
Inter-organization receivable	12,333	-	(12,333)	-
Property and equipment, net of accumulated depreciation of \$82,933 Friends and \$61,304 Land Trust	64,388	309,173	-	373,561
Land trust	-	9,184,359	-	9,184,359
Total assets	\$ 7,156,308	\$ 12,892,419	\$ (12,333)	\$ 20,036,394

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 32,048	\$ 6,148	\$ -	\$ 38,196
Accrued vacation and benefits	26,980	-	-	26,980
Accrued interest	-	12,134	-	12,134
Note payable	-	1,640,000	-	1,640,000
Inter-organization payable	-	12,333	(12,333)	-
Total liabilities	59,028	1,670,615	(12,333)	1,717,310
Net assets				
Unrestricted				
Available for operations	335,198	101,044	-	436,242
Net investment in equipment and furniture	64,388	309,173	-	373,561
Net investment in land and easements	-	7,544,359	-	7,544,359
Board designated - projects	583,664	26,927	-	610,591
Board designated - endowment	2,193,359	-	-	2,193,359
	3,176,609	7,981,503	-	11,158,112
Temporarily restricted	534,429	3,235,301	-	3,769,730
Permanently restricted	3,386,242	5,000	-	3,391,242
Total net assets	7,097,280	11,221,804	-	18,319,084
Total liabilities and net assets	\$ 7,156,308	\$ 12,892,419	\$ (12,333)	\$ 20,036,394

See notes to consolidated financial statements and independent auditors' report.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

	Friends	Land Trust	Eliminations	Consolidated
Public support and other revenue				
Foundations	\$ 233,355	\$ 54,500	\$ -	\$ 287,855
Contributions	403,403	623,441	-	1,026,844
Bequests	104,540	-	-	104,540
Memberships	454,246	234,875	-	689,121
Mitigation and legal cost recovery	-	-	-	-
Interest income	16,640	113,409	-	130,049
Gain (loss) on land sale	-	-	-	-
Other	31,436	22,188	-	53,624
Inter-organization charges	-	-	-	-
Total public support and other revenue	1,243,620	1,048,413	-	2,292,033
Expenses				
Program services				
Conservation	376,499	-	-	376,499
Gorge Towns to Trails	207,527	-	-	207,527
Land Trust	-	356,653	-	356,653
Legal	329,437	-	-	329,437
Lobbying	39,376	-	-	39,376
Outreach and Outdoor Program	306,787	-	-	306,787
Total program services	1,259,626	356,653	-	1,616,279
Supporting services				
Management and general	202,533	40,668	-	243,201
Fund-raising	385,836	144,533	-	530,369
Total expenses	1,847,995	541,854	-	2,389,849
Increase (decrease) in net assets before change in investments	(604,375)	506,559	-	(97,816)
Net realized and unrealized appreciation (depreciation) of investments	473,319	(96,403)	-	376,916
Change in net assets	(131,056)	410,156	-	279,100
Net assets, beginning of year	7,228,336	10,811,648	-	18,039,984
Net assets, end of year	\$ 7,097,280	\$ 11,221,804	\$ -	\$ 18,319,084

See notes to consolidated financial statements and independent auditors' report.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

	Friends	Land Trust	Eliminations	Consolidated
Cash flows from operating activities:				
Change in net assets	\$ (131,056)	\$ 410,156	\$ -	\$ 279,100
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation	19,049	17,602	-	36,651
Net realized and unrealized (appreciation) depreciation of investments	(473,319)	96,403	-	(376,916)
Loss (gain) on land sale	-	-	-	-
Changes in assets and liabilities:				
Investment interest receivable	(4,425)	2,864	-	(1,561)
Grants and bequests receivable	890,616	(197,500)	-	693,116
Other asset	-	-	-	-
Prepaid expenses	1,828	3,193	-	5,021
Accounts payable	(1,262)	(4,008)	-	(5,270)
Accrued vacation and benefits	3,711	(20,011)	-	(16,300)
Other liabilities	-	12,134	-	12,134
Net cash provided by (used in) operating activities	305,142	320,833	-	625,975
Cash flows from investing activities:				
Proceeds from sale of investments	1,069,399	938,085	-	2,007,484
Purchase of investments	(1,164,390)	(518,764)	-	(1,683,154)
Purchase of property and equipment	-	-	-	-
Sale of land in trust	-	-	-	-
Purchase of land in trust	-	(698,122)	-	(698,122)
Net cash provided by (used in) investing activities	(94,991)	(278,801)	-	(373,792)
Cash flows from financing activities:				
Payments on long term debt	-	(100,000)	-	(100,000)
Net cash provided by (used in) financing activities	-	(100,000)	-	(100,000)
Net change in cash and cash equivalents	210,151	(57,968)	-	152,183
Cash and cash equivalents, beginning of year	944,861	355,206	-	1,300,067
Cash and cash equivalents, end of year	\$ 1,155,012	\$ 297,238	\$ -	\$ 1,452,250
Supplemental disclosure of non-cash investing and financing transactions:				
Land trust property acquired in exchange for note	\$ -	\$ 1,440,000	\$ -	\$ 1,440,000

See notes to consolidated financial statements and independent auditors' report.