

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

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**Year Ended June 30, 2015**



**Friends of the  
Columbia Gorge**

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**Year Ended June 30, 2015**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1-2
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-14
<b>SUPPLEMENTAL INFORMATION</b>	
Consolidating Statement of Financial Position	15
Consolidating Statement of Activities	16
Consolidating Statement of Cash Flows	17



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
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, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

The Organization's 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, 2015, 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 of  
Friends of the Columbia Gorge, Inc. & Subsidiary

### ***Report on Summarized Comparative Information***

We have previously audited Friends of the Columbia Gorge, Inc. & Subsidiary's 2014 consolidated financial statements, and our report dated October 6, 2014, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, 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 information listed in the table of contents is presented for purposes of additional analysis and is 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 8, 2015

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**June 30, 2015**

(With Comparative Totals as of June 30, 2014)

**ASSETS**

	<b>2015</b>	<b>2014</b>
Cash and cash equivalents	\$ 1,721,806	\$ 1,767,895
Investment interest receivable	33,415	30,222
Investments	6,658,151	5,577,837
Grants and bequests receivable	114,547	70,383
Prepaid expenses	52,983	29,801
Equipment and furniture, net of accumulated depreciation of \$57,804 and \$51,797, respectively	18,700	27,091
Land trust	6,161,094	6,665,618
<b>Total assets</b>	<b>\$ 14,760,696</b>	<b>\$ 14,168,847</b>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 51,018	\$ 33,761
Accrued vacation and benefits	19,654	15,207
<b>Total liabilities</b>	<b>70,672</b>	<b>48,968</b>
<b>Net assets</b>		
Unrestricted		
Available for operations	730,454	1,664,158
Net investment in equipment and furniture	18,700	27,091
Net investment in land and easements	6,161,095	6,665,618
Board designated - projects	1,980,290	803,478
Board designated - endowment	2,258,629	2,405,176
	11,149,168	11,565,521
Temporarily restricted	3,202,114	2,216,866
Permanently restricted	338,742	337,492
<b>Total net assets</b>	<b>14,690,024</b>	<b>14,119,879</b>
<b>Total liabilities and net assets</b>	<b>\$ 14,760,696</b>	<b>\$ 14,168,847</b>

See notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2015**

(With Comparative Totals for the Year Ended June 30, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2015</u>	<u>2014</u>
<b>Public support and other revenue</b>					
Foundations	\$ 342,431	\$ -	\$ -	\$ 342,431	\$ 231,274
Contributions	25,866	1,277,066	1,250	1,304,182	624,355
Bequests	132,782	-	-	132,782	1,835,858
Memberships	626,161	-	-	626,161	498,942
Mitigation and legal cost recovery	-	-	-	-	950,763
Interest income	210,257	-	-	210,257	177,290
Loss on land sale	(55,759)	-	-	(55,759)	(23,322)
Other	55,074	-	-	55,074	50,573
	<u>1,336,812</u>	<u>1,277,066</u>	<u>1,250</u>	<u>2,615,128</u>	<u>4,345,733</u>
Net assets released from restrictions					
Satisfaction of purpose	<u>291,818</u>	<u>(291,818)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total public support and other revenue</b>	<b><u>1,628,630</u></b>	<b><u>985,248</u></b>	<b><u>1,250</u></b>	<b><u>2,615,128</u></b>	<b><u>4,345,733</u></b>
<b>Expenses</b>					
Program services					
Conservation	286,055	-	-	286,055	336,617
Gorge Towns to Trails	140,873	-	-	140,873	137,902
Land Trust	389,228	-	-	389,228	223,662
Legal	205,667	-	-	205,667	177,110
Lobbying	25,090	-	-	25,090	45,895
Outreach and Outdoor Program	404,950	-	-	404,950	315,630
Total program services	<u>1,451,863</u>	<u>-</u>	<u>-</u>	<u>1,451,863</u>	<u>1,236,816</u>
Supporting services					
Management and general	171,422	-	-	171,422	156,606
Fund-raising	293,767	-	-	293,767	245,380
<b>Total expenses</b>	<b><u>1,917,052</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,917,052</u></b>	<b><u>1,638,802</u></b>
Increase (decrease) in net assets before change in investments	(288,422)	985,248	1,250	698,076	2,706,931
Net realized and unrealized appreciation (depreciation) of investments	<u>(127,931)</u>	<u>-</u>	<u>-</u>	<u>(127,931)</u>	<u>242,062</u>
<b>Change in net assets</b>	<b>(416,353)</b>	<b>985,248</b>	<b>1,250</b>	<b>570,145</b>	<b>2,948,993</b>
Net assets, beginning of year	<u>11,565,521</u>	<u>2,216,866</u>	<u>337,492</u>	<u>14,119,879</u>	<u>11,170,886</u>
<b>Net assets, end of year</b>	<b><u>\$ 11,149,168</u></b>	<b><u>\$ 3,202,114</u></b>	<b><u>\$ 338,742</u></b>	<b><u>\$ 14,690,024</u></b>	<b><u>\$ 14,119,879</u></b>

See notes to consolidated financial statements.

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

**Year Ended June 30, 2015**  
(With Comparative Totals for the Year Ended June 30, 2014)

	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	2015	2014
	Salaries	\$ 146,106	\$ 64,260	\$ 99,072	\$ 80,044	\$ 5,205	\$ 204,631	\$ 599,318	\$ 69,001	\$ 146,634	\$ 814,953
Payroll taxes	13,998	5,593	8,697	6,761	453	17,821	53,323	5,990	11,693	71,006	64,773
Benefits	27,248	12,109	18,580	15,145	981	38,249	112,312	12,970	27,508	152,790	108,192
Rent	13,503	6,624	8,040	1,955	3,365	13,118	46,605	4,533	9,713	60,851	60,852
Printing	3,354	3,482	2,826	820	54	20,696	31,232	1,051	15,753	48,036	44,578
Publication costs	4,792	2,385	16,734	-	-	24,548	48,459	1,999	4,319	54,777	45,962
Prospect costs	-	-	1,283	-	-	1,028	2,311	-	6,592	8,903	8,003
Postage	1,867	780	1,406	609	39	5,513	10,214	603	8,590	19,407	17,401
Office supplies	481	292	731	219	14	907	2,644	821	630	4,095	5,579
Telephone	3,661	2,003	1,543	741	50	2,704	10,702	836	1,951	13,489	12,113
Database and website	14,061	2,643	6,864	1,586	103	11,842	37,099	2,576	9,330	49,005	30,921
Training	-	6,225	2,637	825	-	721	10,408	3,715	689	14,812	4,907
Equipment maintenance	579	-	373	353	-	601	1,906	32	528	2,466	2,346
Dues and subscriptions	1,725	1,245	1,240	1,382	-	320	5,912	475	810	7,197	8,872
Insurance	1,254	555	5,606	695	45	1,753	9,908	589	1,261	11,758	10,880
Event costs	3,537	2,827	728	97	12	22,074	29,275	4,646	13,966	47,887	43,284
Professional and contract services	35,919	14,012	21,187	91,613	14,573	14,295	191,599	43,585	18,158	253,342	278,410
Travel	10,002	10,044	6,461	711	59	13,085	40,362	3,569	3,026	46,957	40,601
Merchandise expense	-	-	-	-	-	3,653	3,653	-	8,724	12,377	6,007
Land acquisition expense	-	-	51,951	-	-	-	51,951	-	-	51,951	35,090
Land maintenance	-	8	115,504	-	-	-	115,512	-	-	115,512	61,553
Miscellaneous expense	342	4,205	1,086	140	9	2,296	8,078	12,859	284	21,221	16,475
Depreciation	3,626	1,581	16,679	1,971	128	5,095	29,080	1,572	3,608	34,260	32,468
	<b>\$ 286,055</b>	<b>\$ 140,873</b>	<b>\$ 389,228</b>	<b>\$ 205,667</b>	<b>\$ 25,090</b>	<b>\$ 404,950</b>	<b>\$ 1,451,863</b>	<b>\$ 171,422</b>	<b>\$ 293,767</b>	<b>\$ 1,917,052</b>	<b>\$ 1,638,802</b>

See notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**Year Ended June 30, 2015**

(With Comparative Totals for the Year Ended June 30, 2014)

	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 570,145	\$ 2,948,993
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	34,260	32,468
Net realized and unrealized (appreciation) depreciation of investments	127,931	(242,062)
Loss on land sale	55,759	-
Land donations	-	(1,052,988)
Changes in assets and liabilities:		
Investment interest receivable	(3,193)	(1,497)
Grants and bequests receivable	(44,164)	(50,383)
Prepaid expenses	(23,182)	(5,743)
Accounts payable	17,257	(5,973)
Accrued vacation and benefits	4,447	(11,633)
	<b>739,260</b>	<b>1,611,182</b>
<b>Net cash provided by (used in) operating activities</b>		
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	4,216,231	2,459,097
Purchase of investments	(5,421,559)	(2,316,189)
Purchase of equipment	(14,950)	(9,419)
Sale of land in trust	434,929	-
Purchase of land in trust	-	(214,518)
	<b>(785,349)</b>	<b>(81,029)</b>
<b>Net cash provided by (used in) investing activities</b>		
<b>Net change in cash and cash equivalents</b>	<b>(46,089)</b>	<b>1,530,153</b>
Cash and cash equivalents, beginning of year	1,767,895	237,742
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,721,806</b>	<b>\$ 1,767,895</b>
<b>Supplemental disclosure of non-cash investing and financing transactions:</b>		
Land trust property acquired by mitigation	\$ -	\$ 1,052,988

See notes to consolidated financial statements.



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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

#### 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, 2015

**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, 2015**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equipment and Furniture**

Equipment and furniture over \$5,000 are capitalized, recorded at cost and depreciated using the straight-line method over estimated useful lives of 3-10 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, 2015**

**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, 2015

**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, 2014, from which the summarized information was derived.

**Reclassifications**

Certain prior-year amounts have been reclassified to conform with the current year's presentation.

**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, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds and bond funds	\$ -	\$ 2,598,982	\$ -	\$ 2,598,982
Government bonds	-	1,233,775	-	1,233,775
Stocks and equity mutual funds	1,979,554	-	-	1,979,554
Brokered CD	-	820,840	-	820,840
Oregon Community Foundation	-	25,000	-	25,000
	<u>\$ 1,979,554</u>	<u>\$ 4,678,597</u>	<u>\$ -</u>	<u>\$ 6,658,151</u>

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

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

June 30, 2015

**NOTE D – DESIGNATED NET ASSETS**

The Board designated \$973,235 for staff capacity building and the Gorge Town to Trails program, \$8,535 for the Matthew Winthrop Memorial Fund, and \$998,520 for the Gateway to Pacific purchase. These Board-designated funds are not classified as endowment funds.

**NOTE E – 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, 2015 was as follows:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-designated funds	\$ -	\$ 12,562	\$ 338,742	\$ 351,304
Board designated - endowment	<u>2,258,629</u>	<u>-</u>	<u>-</u>	<u>2,258,629</u>
Total endowment net assets	<u>\$ 2,258,629</u>	<u>\$ 12,562</u>	<u>\$ 338,742</u>	<u>\$ 2,609,933</u>

Changes in endowment net assets for the year ended June 30, 2015 were as follows:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 2,405,176	\$ 22,422	\$ 337,492	\$ 2,765,090
Contributions	-	12,069	1,250	13,319
Appropriations	-	(11,558)	-	(11,558)
Investment gains (losses)	103,002	(2,946)	-	100,056
Expenditures	<u>(249,549)</u>	<u>(7,425)</u>	<u>-</u>	<u>(256,974)</u>
Endowment net assets, end of year	<u>\$ 2,258,629</u>	<u>\$ 12,562</u>	<u>\$ 338,742</u>	<u>\$ 2,609,933</u>

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

**June 30, 2015**

**NOTE F – RESTRICTED NET ASSETS**

As of June 30, 2015, the Organization had restricted net assets as follows:

Temporarily restricted:	
Clausen	\$ 7,425
Oil Program	47,688
Gateway to Pacific	75,900
Lyle Cherry Orchard	4,161
REI	14,454
Gorge Wahoo	33,671
Land Trust Capacity Building	110,419
YARG Grant	95,401
Cape Horn acquisition fund	2,194,259
Emergency acquisition fund	374,512
Stewardship fund	164,542
Mt. Ulka	57,320
Ballou	8,000
Other	1,800
Unappropriated endowment earnings	12,562
	<u>\$ 3,202,114</u>
Permanently restricted:	
Nancy Russell Endowment	\$ 151,242
Holman Fund	100,000
Oregon Community Foundation	25,000
Land Trust Endowment	5,000
Vic Clausen Youth Fund	57,500
	<u>\$ 338,742</u>

**NOTE G – JOINT COSTS**

The Organization incurred joint costs for informational materials and activities that included fund-raising appeals during the year ended June 30, 2015. These costs were allocated as follows:

	Publication Costs	Prospect Costs	Total
Program services	\$ 50,458	\$ 2,311	\$ 52,769
Fund-raising	4,319	6,592	10,911
	<u>\$ 54,777</u>	<u>\$ 8,903</u>	<u>\$ 63,680</u>

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

**June 30, 2015**

**NOTE H – LEASES**

The Organization renewed an operating lease for office space that expires in October, 2016. Office rent expense for the year ended June 30, 2015 amounted to \$57,261.

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

Year Ending June 30,	
2016	\$ 60,456
2017	<u>19,324</u>
	<u>\$ 79,780</u>

**NOTE I – OPTION COMMITMENT**

In January 2009, the Nancy Russell Trust (the Trust) assigned an option to purchase certain land 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 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.

**NOTE J – 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, 2015 was \$22,674.

**NOTE K – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 8, 2015, 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, 2015

**ASSETS**

	<b>Friends</b>	<b>Land Trust</b>	<b>Eliminations</b>	<b>Consolidated</b>
Cash and cash equivalents	\$ 1,522,839	\$ 198,967	\$ -	\$ 1,721,806
Investment interest receivable	8,222	25,193	-	33,415
Investments	3,551,857	3,106,294	-	6,658,151
Grants and bequests receivable	33,762	80,785	-	114,547
Prepaid expenses	37,453	15,530	-	52,983
Inter-organization receivable	-	581,873	(581,873)	-
Equipment and furniture, net of accumulated depreciation of \$57,804	18,700	-	-	18,700
Land trust	-	6,161,094	-	6,161,094
<b>Total assets</b>	<b>\$ 5,172,833</b>	<b>\$ 10,169,736</b>	<b>\$ (581,873)</b>	<b>\$ 14,760,696</b>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 27,696	\$ 23,322	\$ -	\$ 51,018
Accrued vacation and benefits	19,654	-	-	19,654
Inter-organization payable	581,873	-	(581,873)	-
<b>Total liabilities</b>	<b>629,223</b>	<b>23,322</b>	<b>(581,873)</b>	<b>70,672</b>
<b>Net assets</b>				
Unrestricted				
Available for operations	366,339	364,115	-	730,454
Net investment in equipment and furniture	18,700	-	-	18,700
Net investment in land and easements	-	6,161,095	-	6,161,095
Board designated - projects	1,383,090	597,200	-	1,980,290
Board designated - endowment	2,258,629	-	-	2,258,629
	4,026,758	7,122,410	-	11,149,168
Temporarily restricted	183,110	3,019,004	-	3,202,114
Permanently restricted	333,742	5,000	-	338,742
<b>Total net assets</b>	<b>4,543,610</b>	<b>10,146,414</b>	<b>-</b>	<b>14,690,024</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,172,833</b>	<b>\$ 10,169,736</b>	<b>\$ (581,873)</b>	<b>\$ 14,760,696</b>

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, 2015

	<b>Friends</b>	<b>Land Trust</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Public support and other revenue</b>				
Foundations	\$ 203,431	\$ 139,000	\$ -	\$ 342,431
Contributions	657,637	646,545	-	1,304,182
Bequests	132,782	-	-	132,782
Memberships	620,953	5,208	-	626,161
Recovery of legal costs	-	-	-	-
Interest income	113,056	97,201	-	210,257
Loss on land sale	-	(55,759)	-	(55,759)
Other	24,090	30,984	-	55,074
Inter-organization charges	162,934	-	(162,934)	-
<b>Total public support and other revenue</b>	<b>1,914,883</b>	<b>863,179</b>	<b>(162,934)</b>	<b>2,615,128</b>
<b>Expenses</b>				
Program services				
Conservation	286,055	-	-	286,055
Gorge Towns to Trails	140,873	-	-	140,873
Land Trust	162,934	389,228	(162,934)	389,228
Legal	205,667	-	-	205,667
Lobbying	25,090	-	-	25,090
Outreach and Outdoor Program	404,950	-	-	404,950
Total program services	1,225,569	389,228	(162,934)	1,451,863
Supporting services				
Management and general	171,422	-	-	171,422
Fund-raising	293,767	-	-	293,767
<b>Total expenses</b>	<b>1,690,758</b>	<b>389,228</b>	<b>(162,934)</b>	<b>1,917,052</b>
Increase (decrease) in net assets before change in investments	224,125	473,951	-	698,076
Net realized and unrealized appreciation (depreciation) of investments	(45,276)	(82,655)	-	(127,931)
<b>Change in net assets</b>	<b>178,849</b>	<b>391,296</b>	<b>-</b>	<b>570,145</b>
Net assets, beginning of year	4,364,761	9,755,118	-	14,119,879
<b>Net assets, end of year</b>	<b>\$ 4,543,610</b>	<b>\$ 10,146,414</b>	<b>\$ -</b>	<b>\$ 14,690,024</b>

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, 2015**

	<b>Friends</b>	<b>Land Trust</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Cash flows from operating activities:</b>				
Change in net assets	\$ 178,849	\$ 391,296	\$ -	\$ 570,145
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation	20,425	13,835	-	34,260
Net realized and unrealized (appreciation) depreciation of investments	45,276	82,655	-	127,931
Loss on land sale	-	55,759	-	55,759
Changes in assets and liabilities:				
Investment interest receivable	2,041	(5,234)	-	(3,193)
Grants and bequests receivable	(33,379)	(10,785)	-	(44,164)
Other asset	-	(540,544)	540,544	-
Prepaid expenses	(9,575)	(13,607)	-	(23,182)
Accounts payable	(6,065)	23,322	-	17,257
Accrued vacation and benefits	4,447	-	-	4,447
Other liabilities	540,544	-	(540,544)	-
<b>Net cash provided by (used in) operating activities</b>	<b>742,563</b>	<b>(3,303)</b>	<b>-</b>	<b>739,260</b>
<b>Cash flows from investing activities:</b>				
Proceeds from sale of investments	2,743,520	1,472,711	-	4,216,231
Purchase of investments	(3,482,902)	(1,938,657)	-	(5,421,559)
Purchase of equipment	(14,950)	-	-	(14,950)
Sale of land in trust	-	434,929	-	434,929
<b>Net cash provided by (used in) investing activities</b>	<b>(754,332)</b>	<b>(31,017)</b>	<b>-</b>	<b>(785,349)</b>
<b>Net change in cash and cash equivalents</b>	<b>(11,769)</b>	<b>(34,320)</b>	<b>-</b>	<b>(46,089)</b>
Cash and cash equivalents, beginning of year	1,534,608	233,287	-	1,767,895
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,522,839</b>	<b>\$ 198,967</b>	<b>\$ -</b>	<b>\$ 1,721,806</b>
<b>Supplemental disclosure of non-cash investing and financing transactions:</b>				
Land trust property acquired by mitigation	\$ -	\$ -	\$ -	\$ -

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