



Friends of the
Columbia Gorge

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

Year Ended June 30, 2018

KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2018

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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, 2018, 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 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 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 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 auditors' 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 entity'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 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 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, 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 of America.

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

Other Matters

Report on Summarized Comparative Information

We have previously audited Friends of the Columbia Gorge, Inc. & Subsidiary's 2017 consolidated financial statements, and we expressed an unmodified opinion on those financial statements in our report dated September 26, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited 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 consolidating statement of financial position, consolidating statement of activities and consolidating statement of cash flows are 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.

Emphasis of Matter

As discussed in Note B, the Organization adopted the provisions of Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958)*, for the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

KERN THOMPSON, LLC

Portland, Oregon
September 20, 2018

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2018

(With Comparative Totals as of June 30, 2017)

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,159,537	\$ 1,452,250
Investment interest receivable	48,981	43,360
Investments	9,897,054	7,494,182
Grants and bequests receivable	471,305	1,421,984
Prepaid expenses	79,553	66,698
Property and equipment, net of accumulated depreciation of \$180,840 and \$144,237, respectively	336,956	373,561
Land and easements	<u>9,609,359</u>	<u>9,184,359</u>
Total assets	<u>\$ 21,602,745</u>	<u>\$ 20,036,394</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 26,565	\$ 38,196
Accrued vacation and benefits	24,876	26,980
Accrued interest	26,743	12,134
Note payable	<u>1,180,000</u>	<u>1,640,000</u>
Total liabilities	<u>1,258,184</u>	<u>1,717,310</u>
Net assets		
Without donor restrictions		
Available for operations	425,033	436,242
Net investment in property and equipment	336,956	373,561
Net investment in land and easements	8,429,359	7,544,359
Board designated - projects	317,356	610,591
Board designated - legal defense fund	70,000	-
Board designated - endowment	<u>2,192,109</u>	<u>2,193,359</u>
	11,770,813	11,158,112
With donor restrictions	<u>8,573,748</u>	<u>7,160,972</u>
Total net assets	<u>20,344,561</u>	<u>18,319,084</u>
Total liabilities and net assets	<u>\$ 21,602,745</u>	<u>\$ 20,036,394</u>

See notes to consolidated financial statements.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

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

	Without Donor Restrictions	With Donor Restrictions	Total	
			2018	2017
Public support and other revenue				
Foundations	\$ 55,265	\$ 277,119	\$ 332,384	\$ 287,855
Contributions	137,089	2,597,015	2,734,104	1,026,844
Bequests	106,882	-	106,882	104,540
Memberships	832,835	-	832,835	689,121
Mitigation and legal cost recovery	153,283	-	153,283	-
Interest income	138,192	162,735	300,927	130,049
Gain (loss) on land sale	-	-	-	-
Other	81,819	-	81,819	53,624
	1,505,365	3,036,869	4,542,234	2,292,033
Net assets released from restrictions				
Satisfaction of purpose	1,723,509	(1,723,509)	-	-
Total public support and other revenue	3,228,874	1,313,360	4,542,234	2,292,033
Expenses				
Program services				
Conservation	318,121	-	318,121	376,499
Gorge Towns to Trails	119,184	-	119,184	207,527
Land Trust	439,337	-	439,337	356,653
Legal	239,264	-	239,264	329,437
Lobbying	21,489	-	21,489	39,376
Outreach and Outdoor Program	305,552	-	305,552	306,787
Gorge resilience	256,298	-	256,298	-
Total program services	1,699,245	-	1,699,245	1,616,279
Supporting services				
Management and general	273,023	-	273,023	243,201
Fund-raising	525,839	-	525,839	530,369
Total expenses	2,498,107	-	2,498,107	2,389,849
Increase (decrease) in net assets before change in investments	730,767	1,313,360	2,044,127	(97,816)
Net realized and unrealized appreciation (depreciation) of investments	(118,066)	99,416	(18,650)	376,916
Change in net assets	612,701	1,412,776	2,025,477	279,100
Net assets, beginning of year	11,158,112	7,160,972	18,319,084	18,039,984
Net assets, end of year	\$ 11,770,813	\$ 8,573,748	\$ 20,344,561	\$ 18,319,084

See notes to consolidated financial statements.

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

Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	PROGRAM SERVICES							SUPPORTING SERVICES			Total	
	Conser- vation	Gorge Towns to Trails	Land Trust	Legal	Lobbying	Outreach and Outdoor	Gorge Resilience	Program Total	Manage- ment and General	Fund- Raising	2018	2017
Salaries	\$ 191,437	59,784	150,139	117,535	9,281	123,527	112,748	\$ 764,451	\$ 99,737	\$ 269,712	\$ 1,133,900	\$ 970,798
Payroll taxes	15,521	4,855	12,225	9,488	754	9,990	9,185	62,018	8,083	20,653	90,754	82,438
Benefits	35,774	11,183	27,916	21,936	1,734	23,077	20,908	142,528	18,608	46,455	207,591	195,541
Rent	15,739	9,299	14,226	8,718	713	9,121	9,116	66,932	7,531	18,909	93,372	81,536
Printing	2,162	1,381	1,523	1,173	50	13,565	3,425	23,279	1,593	36,352	61,224	59,176
Publication costs	7,459	1,612	3,380	3,371	110	18,650	8,369	42,951	3,223	12,388	58,562	50,662
Prospect costs	-	-	-	-	-	-	-	-	-	7,328	7,328	5,350
Postage	1,456	426	927	742	39	3,682	1,909	9,181	656	21,347	31,184	26,840
Office supplies	680	156	839	317	27	904	571	3,494	592	2,986	7,072	6,228
Telephone	2,999	1,530	2,187	844	67	2,826	1,013	11,466	719	2,823	15,008	14,203
Database and website	16,185	2,372	7,717	2,798	214	16,973	8,945	55,204	2,690	20,408	78,302	120,301
Training	757	241	817	550	13	397	1,068	3,843	1,216	1,817	6,876	8,248
Equipment maintenance	478	14	1,371	30	2	2,008	3,530	7,433	274	63	7,770	6,839
Dues and subscriptions	1,557	3,415	1,861	2,777	3	2,112	56	11,781	131	115	12,027	12,424
Insurance	1,212	377	4,891	745	59	776	750	8,810	4,134	3,736	16,680	13,934
Event costs	4,877	1,091	1,608	757	78	31,036	2,764	42,211	3,566	33,698	79,475	59,043
Professional and contract services	2,252	14,417	10,539	63,910	8,077	22,719	32,180	154,094	70,054	11,554	235,702	385,358
Travel	8,665	4,509	9,954	1,061	70	14,733	6,199	45,191	1,954	3,981	51,126	53,168
Merchandise expense	-	-	-	-	-	5,446	968	6,414	12	7,723	14,149	13,142
Land acquisition expense	-	-	83,878	-	-	-	-	83,878	-	-	83,878	73,198
Land maintenance	-	-	84,474	-	-	-	-	84,474	-	-	84,474	74,390
Miscellaneous expense	973	1,497	1,263	501	40	1,886	30,718	36,878	46,862	1,308	85,048	40,382
Depreciation	7,938	1,025	17,602	2,011	158	2,124	1,876	32,734	1,388	2,483	36,605	36,650
	\$ 318,121	\$ 119,184	\$ 439,337	\$ 239,264	\$ 21,489	\$ 305,552	\$ 256,298	\$ 1,699,245	\$ 273,023	\$ 525,839	\$ 2,498,107	\$ 2,389,849

See notes to consolidated financial statements.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

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

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 2,025,477	\$ 279,100
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	36,605	36,651
Net realized and unrealized (appreciation) depreciation of investments	18,650	(376,916)
Loss (gain) on land sale	-	-
Changes in assets and liabilities:		
Investment interest receivable	(5,621)	(1,561)
Grants and bequests receivable	963,012	693,116
Prepaid expenses	(12,855)	5,021
Accounts payable	(11,631)	(5,270)
Accrued vacation and benefits	(14,437)	(16,300)
Other liability	14,609	12,134
Net cash provided by (used in) operating activities	3,013,809	625,975
Cash flows from investing activities:		
Proceeds from sale of investments	2,168,781	2,007,484
Purchase of investments	(4,590,303)	(1,683,154)
Purchase of property and equipment	-	-
Sale of land in trust	-	-
Purchase of land in trust	(425,000)	(698,122)
Net cash provided by (used in) investing activities	(2,846,522)	(373,792)
Cash flows from financing activities:		
Payments on long term debt	(460,000)	(100,000)
Net cash provided by (used in) financing activities	(460,000)	(100,000)
Net change in cash and cash equivalents	(292,713)	152,183
Cash and cash equivalents, beginning of year	1,452,250	1,300,067
Cash and cash equivalents, end of year	\$ 1,159,537	\$ 1,452,250
Supplemental disclosure of non-cash investing and financing transactions:		
Land trust property acquired in exchange for note	\$ -	\$ 1,440,000

See notes to consolidated financial statements.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018

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.
- **Gorge Resilience** – A new program launched after the Eagle Creek Fire to assist community partners, educate the public, and advocate for the policies and programs needed to rebuild trails and aid the forest's natural regeneration.

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, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncement

During the fiscal year ended June 30, 2018, the Organization implemented *Accounting Standards Update No. 2016-14, Not-for-Profit Entities Topic 958* (“ASU 2016-14”). This standard revised the net asset classification requirements and information presented in financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. As a result of the implementation of ASU 2016-14, net assets and transactions are now presented in two categories (with donor restrictions and without donor restrictions) instead of three (unrestricted, temporary, and permanent). Additionally, disclosures regarding liquidity have been added and the expansion of disclosures regarding the nature of donor restrictions and endowment funds have been made. The implementation of ASU 2016-14 had no impact on total beginning net assets.

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.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets either subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (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.

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.

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

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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.

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.

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

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Fair Value Measurements (Continued)

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.

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.

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

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, fixed income funds, and cash.

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, 2017, 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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bond and bond fund	\$ -	\$ 6,028,932	\$ -	\$ 6,028,932
Equities	2,742,283	-	-	2,742,283
Equity funds	1,096,917	-	-	1,096,917
Oregon Community Foundation	-	-	28,922	28,922
	<u>\$ 3,839,200</u>	<u>\$ 6,028,932</u>	<u>\$ 28,922</u>	<u>\$ 9,897,054</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, 2018

NOTE C – INVESTMENTS (CONTINUED)

Changes in assets measured at Level 3 were as follows:

Balance, June 30, 2017	\$	23,609
Gains included in the statement of activities		<u>5,313</u>
Balance, June 30, 2018	\$	<u><u>28,922</u></u>

NOTE D – NOTES PAYABLE

As of June 30, 2018, 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.	\$	1,080,000
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>100,000</u>
	\$	<u><u>1,180,000</u></u>

The current maturities of notes payable are as follows:

<u>Year Ended June 30,</u>		
2019	\$	460,000
2020		360,000
2021		<u>360,000</u>
	\$	<u><u>1,180,000</u></u>

NOTE E – DESIGNATED NET ASSETS

The Board designated \$70,000 for a legal defense fund program and \$317,356 for land stewardship. 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, 2018

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, 2018 was as follows:

	<u>Without Donor Restrictions</u>	<u>Restricted Portion Subject to Expiration</u>	<u>Restricted Portion Not Subject to Expiration</u>	<u>Total Net Endowment Assets</u>
Donor-designated funds	\$ -	\$ 246,935	\$ 3,392,492	\$ 3,639,427
Board designated - endowment	<u>2,192,109</u>	<u>-</u>	<u>-</u>	<u>2,192,109</u>
Total endowment net assets	<u>\$ 2,192,109</u>	<u>\$ 246,935</u>	<u>\$ 3,392,492</u>	<u>\$ 5,831,536</u>

Changes in endowment net assets for the year ended June 30, 2018 were as follows:

	<u>Without Donor Restrictions</u>	<u>Restricted Portion Subject to Expiration</u>	<u>Restricted Portion Not Subject to Expiration</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of year	\$ 2,193,359	\$ 215,219	\$ 3,391,242	\$ 5,799,820
Contributions	-	-	1,250	1,250
Appropriations	230,435	(230,435)	-	-
Dividends	-	162,735	-	162,735
Investment gains (losses)	-	99,416	-	99,416
Expenditures	<u>(231,685)</u>	<u>-</u>	<u>-</u>	<u>(231,685)</u>
Endowment net assets, end of year	<u>\$ 2,192,109</u>	<u>\$ 246,935</u>	<u>\$ 3,392,492</u>	<u>\$ 5,831,536</u>

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

June 30, 2018

NOTE G – RESTRICTIONS ON NET ASSETS

As of June 30, 2018, the Organization had restricted net assets as follows:

Subject to purpose restrictions:	
Clausen	\$ 4,286
Coal	5,447
Oil Program	3,675
Hiking	306
Gorge resilience	236,071
Ready Set Gorge	9,200
Gorge Town to Trail	9,776
Wahoo	52,364
Land acquisition	1,360,565
Cape Horn acquisition fund	2,194,259
Emergency acquisition fund	374,512
Mt. Ulka	4,726
Stewardship fund	153,427
PTW stewardship	204,367
Yarg	57,200
Preserve the Wonder	264,140
	<u>4,934,321</u>
Subject to time restrictions: (Endowment earnings)	<u>246,935</u>
Not subject to appropriation or expenditure:	
Nancy Russell Endowment	187,242
Vic Clausen Endowment	61,250
Oregon Community Foundation	25,000
Wilson Endowment	14,000
Conservation Director Endowment	3,000,000
Holman Endowment	100,000
Abramovitz Endowment	5,000
	<u>3,392,492</u>
Total net assets with donor restrictions	<u>\$ 8,573,748</u>

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

June 30, 2018

NOTE H – LIQUIDITY

The following chart represents the Organization's financial assets available to meet cash needs for general expenditures within one year of June 30, 2018:

Financial assets at year-end*	
Cash and cash equivalents	\$ 1,159,537
Grants and bequests receivable	471,305
Investment interest receivable	48,981
Investments	<u>9,897,054</u>
Total financial assets	<u>11,576,877</u>
Less those unavailable for general expenditure within one year, due to:	
Contractual or donor-imposed restrictions:	
Subject to purpose restrictions	4,934,321
Subject to time restrictions	246,935
Not subject to appropriation	<u>3,392,492</u>
	<u>8,573,748</u>
Board designations:	
Board-designated endowment fund	<u>2,192,109</u>
Total unavailable financial assets	<u>10,765,857</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 811,020</u>

* Total assets, less nonfinancial assets (e.g. property and equipment, prepaid expenses)

The Organization's endowment funds consist of donor-restricted endowments and a board-designated endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. The Organization's spending policy is to appropriate investment earnings from the previous year into the next year. \$246,935 of appropriations from the endowment funds will be available within the next 12 months.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of current requirements in short-term investments. Although the Organization does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary to manage unanticipated liquidity needs.

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

June 30, 2018

NOTE I – LEASES

The Organization has entered into an operating lease for office space that expires in October of 2021. Office rent expense for the year ended June 30, 2018 amounted to \$84,801.

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

Year Ending June 30,	
2019	\$ 87,345
2020	89,965
2021	92,664
2022	<u>30,888</u>
	<u>\$ 300,862</u>

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.

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, 2018 was \$22,000.

NOTE L – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 20, 2018, 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, 2018

ASSETS

	Friends	Land Trust	Eliminations	Consolidated
Cash and cash equivalents	\$ 579,435	\$ 580,102	\$ -	\$ 1,159,537
Investment interest receivable	17,310	31,671	-	48,981
Investments	5,772,453	4,124,601	-	9,897,054
Grants and bequests receivable	55,035	416,270	-	471,305
Prepaid expenses	59,253	20,300	-	79,553
Inter-organization receivable	-	-	-	-
Property and equipment, net of accumulated depreciation of \$101,935 Friends and \$78,905 Land Trust	45,385	291,571	-	336,956
Land and easements	-	9,609,359	-	9,609,359
Total assets	\$ 6,528,871	\$ 15,073,874	\$ -	\$ 21,602,745

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 22,329	\$ 4,236	\$ -	\$ 26,565
Accrued vacation and benefits	24,876	-	-	24,876
Accrued interest	-	26,743	-	26,743
Note payable	-	1,180,000	-	1,180,000
Inter-organization payable	-	-	-	-
Total liabilities	47,205	1,210,979	-	1,258,184

Net assets

Without donor restrictions				
Available for operations	109,804	315,229	-	425,033
Net investment in equipment and furniture	45,385	291,571	-	336,956
Net investment in land and easements		8,429,359	-	8,429,359
Board designated - projects	109,445	207,911	-	317,356
Board designated - legal defense fund	70,000	-	-	70,000
Board designated - endowment	2,192,109	-	-	2,192,109
	2,526,743	9,244,070	-	11,770,813
With donor restrictions	3,954,923	4,618,825	-	8,573,748
Total net assets	6,481,666	13,862,895	-	20,344,561
Total liabilities and net assets	\$ 6,528,871	\$ 15,073,874	\$ -	\$ 21,602,745

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, 2018

	Friends	Land Trust	Eliminations	Consolidated
Public support and other revenue				
Foundations	\$ 280,265	\$ 52,119	\$ -	\$ 332,384
Contributions	357,182	2,376,922	-	2,734,104
Bequests	106,882	-	-	106,882
Memberships	21,832	811,003	-	832,835
Mitigation and legal cost recovery	153,283	-	-	153,283
Interest income	187,802	113,125	-	300,927
Gain (loss) on land sale	-	-	-	-
Other	50,278	31,541	-	81,819
Inter-organization charges	-	-	-	-
Total public support and other revenue	1,157,524	3,384,710	-	4,542,234
Expenses				
Program services				
Conservation	318,121	-	-	318,121
Gorge Towns to Trails	119,184	-	-	119,184
Land Trust	-	439,337	-	439,337
Legal	239,264	-	-	239,264
Lobbying	21,489	-	-	21,489
Outreach and Outdoor Program	305,552	-	-	305,552
Gorge resilience	256,298	-	-	256,298
Total program services	1,259,908	439,337	-	1,699,245
Supporting services				
Management and general	63,141	209,882	-	273,023
Fundraising	525,839	-	-	525,839
Total expenses	1,848,888	649,219	-	2,498,107
Increase (decrease) in net assets before change in investments	(691,364)	2,735,491	-	2,044,127
Net realized and unrealized appreciation (depreciation) of investments	75,750	(94,400)	-	(18,650)
Change in net assets	(615,614)	2,641,091	-	2,025,477
Net assets, beginning of year	7,097,280	11,221,804	-	18,319,084
Net assets, end of year	\$ 6,481,666	\$ 13,862,895	\$ -	\$ 20,344,561

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, 2018

	<u>Friends</u>	<u>Land Trust</u>	<u>Eliminations</u>	<u>Consolidated</u>
Cash flows from operating activities:				
Change in net assets	\$ (615,614)	\$ 2,641,091	\$ -	\$ 2,025,477
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation	19,003	17,602	-	36,605
Net realized and unrealized (appreciation) depreciation of investments	(75,750)	94,400	-	18,650
Loss (gain) on land sale	-	-	-	-
Changes in assets and liabilities:				
Investment interest receivable	445	(6,066)	-	(5,621)
Grants and bequests receivable	1,146,782	(183,770)	-	963,012
Other asset	-	-	-	-
Prepaid expenses	(8,579)	(4,276)	-	(12,855)
Accounts payable	(9,719)	(1,912)	-	(11,631)
Accrued vacation and benefits	(2,104)	(12,333)	-	(14,437)
Other liabilities	-	14,609	-	14,609
Net cash provided by (used in) operating activities	<u>454,464</u>	<u>2,559,345</u>	<u>-</u>	<u>3,013,809</u>
Cash flows from investing activities:				
Proceeds from sale of investments	1,822,503	346,278	-	2,168,781
Purchase of investments	(2,852,544)	(1,737,759)	-	(4,590,303)
Purchase of property and equipment	-	-	-	-
Sale of land in trust	-	-	-	-
Purchase of land in trust	-	(425,000)	-	(425,000)
Net cash provided by (used in) investing activities	<u>(1,030,041)</u>	<u>(1,816,481)</u>	<u>-</u>	<u>(2,846,522)</u>
Cash flows from financing activities:				
Payments on long term debt	-	(460,000)	-	(460,000)
Net cash provided by (used in) financing activities	<u>-</u>	<u>(460,000)</u>	<u>-</u>	<u>(460,000)</u>
Net change in cash and cash equivalents	<u>(575,577)</u>	<u>282,864</u>	<u>-</u>	<u>(292,713)</u>
Cash and cash equivalents, beginning of year	1,155,012	297,238	-	1,452,250
Cash and cash equivalents, end of year	<u>\$ 579,435</u>	<u>\$ 580,102</u>	<u>\$ -</u>	<u>\$ 1,159,537</u>

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