

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

Year Ended June 30, 2016



**Friends of the
Columbia Gorge**

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

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2016

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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, 2016, 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, 2016, 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 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 2015 consolidated financial statements, and our report dated September 8, 2015, 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, 2015, 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
October 4, 2016

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2016

(With Comparative Totals as of June 30, 2015)

ASSETS

	2016	2015
Cash and cash equivalents	\$ 1,300,067	\$ 1,721,806
Investment interest receivable	41,799	33,415
Investments	7,441,596	6,658,151
Grants and bequests receivable	2,095,089	114,547
Prepaid expenses	71,719	52,983
Property and equipment, net of accumulated depreciation of \$107,586 and \$85,747, respectively	410,212	18,700
Land trust	7,046,237	6,161,094
Total assets	\$ 18,406,719	\$ 14,760,696

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 43,466	\$ 51,018
Accrued vacation and benefits	23,269	19,654
Note payable	300,000	-
Total liabilities	366,735	70,672
Net assets		
Unrestricted		
Available for operations	621,255	730,454
Net investment in equipment, furniture, and buildings	410,212	18,700
Net investment in land and easements	6,746,237	6,161,095
Board designated - projects	1,014,127	1,980,290
Board designated - endowment	2,101,943	2,258,629
	10,893,774	11,149,168
Temporarily restricted	3,806,218	3,202,114
Permanently restricted	3,339,992	338,742
Total net assets	18,039,984	14,690,024
Total liabilities and net assets	\$ 18,406,719	\$ 14,760,696

See notes to consolidated financial statements.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2016</u>	<u>2015</u>
Public support and other revenue					
Foundations	\$ 70,332	\$ 149,750	\$ -	\$ 220,082	\$ 342,431
Contributions	53,054	930,171	3,001,250	3,984,475	1,304,182
Bequests	8,333	-	-	8,333	132,782
Memberships	672,985	-	-	672,985	626,161
Mitigation and legal cost recovery	3,436	392,117	-	395,553	-
Interest income	207,470	2,875	-	210,345	210,257
Gain (loss) on land sale	10,133	-	-	10,133	(55,759)
Other	56,490	-	-	56,490	55,074
	<u>1,082,233</u>	<u>1,474,913</u>	<u>3,001,250</u>	<u>5,558,396</u>	<u>2,615,128</u>
Net assets released from restrictions					
Satisfaction of purpose	888,136	(888,136)	-	-	-
Total public support and other revenue	<u>1,970,369</u>	<u>586,777</u>	<u>3,001,250</u>	<u>5,558,396</u>	<u>2,615,128</u>
Expenses					
Program services					
Conservation	289,352	-	-	289,352	286,055
Gorge Towns to Trails	175,258	-	-	175,258	140,873
Land Trust	362,487	-	-	362,487	389,228
Legal	220,664	-	-	220,664	205,667
Lobbying	30,466	-	-	30,466	25,090
Outreach and Outdoor Program	341,030	-	-	341,030	404,950
Total program services	<u>1,419,257</u>	<u>-</u>	<u>-</u>	<u>1,419,257</u>	<u>1,451,863</u>
Supporting services					
Management and general	215,047	-	-	215,047	171,422
Fund-raising	413,060	-	-	413,060	293,767
Total expenses	<u>2,047,364</u>	<u>-</u>	<u>-</u>	<u>2,047,364</u>	<u>1,917,052</u>
Increase (decrease) in net assets before change in investments	(76,995)	586,777	3,001,250	3,511,032	698,076
Net realized and unrealized appreciation (depreciation) of investments	<u>(178,399)</u>	<u>17,327</u>	<u>-</u>	<u>(161,072)</u>	<u>(127,931)</u>
Change in net assets	<u>(255,394)</u>	<u>604,104</u>	<u>3,001,250</u>	<u>3,349,960</u>	<u>570,145</u>
Net assets, beginning of year	<u>11,149,168</u>	<u>3,202,114</u>	<u>338,742</u>	<u>14,690,024</u>	<u>14,119,879</u>
Net assets, end of year	<u>\$ 10,893,774</u>	<u>\$ 3,806,218</u>	<u>\$ 3,339,992</u>	<u>\$ 18,039,984</u>	<u>\$ 14,690,024</u>

See notes to consolidated financial statements.

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

Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	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	2016	2015	
	Salaries	\$ 161,398	\$ 70,386	\$ 94,636	\$ 86,276	\$ 5,419	\$ 172,332	\$ 590,447	\$ 91,519	\$ 209,893	\$ 891,859	\$ 814,953
Payroll taxes	14,036	6,130	8,246	7,506	471	14,987	51,376	7,591	18,247	77,214	71,006	
Benefits	32,148	13,983	18,818	17,181	1,075	34,063	117,268	18,165	41,754	177,187	152,790	
Rent	11,595	9,025	8,549	5,422	341	10,826	45,758	5,756	13,182	64,696	60,851	
Printing	6,645	1,235	1,983	752	37	15,678	26,330	1,385	24,341	52,056	48,036	
Publication costs	8,953	3,339	3,754	888	-	16,597	33,531	2,749	6,049	42,329	54,777	
Prospect costs	-	-	-	-	-	-	-	-	7,092	7,092	8,903	
Postage	3,285	1,177	1,418	949	35	5,810	12,674	1,896	11,759	26,329	19,407	
Office supplies	605	214	420	337	44	949	2,569	677	1,279	4,525	4,095	
Telephone	3,898	1,824	1,790	764	48	2,694	11,018	813	2,161	13,992	13,489	
Database and website	15,559	3,338	5,313	2,936	164	8,451	35,761	3,102	11,330	50,193	49,005	
Training	-	-	598	780	-	196	1,574	932	1,116	3,622	14,812	
Equipment maintenance	1,071	285	592	627	8	1,331	3,914	2,597	325	6,836	2,466	
Dues and subscriptions	1,001	1,128	2,189	1,922	450	1,400	8,090	750	620	9,460	7,197	
Insurance	920	402	3,542	492	31	980	6,367	4,140	2,425	12,932	11,758	
Event costs	5,422	378	884	214	509	26,557	33,964	4,022	17,829	55,815	47,887	
Professional and contract services	10,203	38,053	7,657	91,014	21,723	7,011	175,661	47,001	34,947	257,609	253,342	
Travel	9,722	13,198	3,847	1,046	15	11,212	39,040	2,987	4,436	46,463	46,957	
Merchandise expense	-	-	-	-	-	5,401	5,401	-	512	5,913	12,377	
Land acquisition expense	-	-	75,250	-	-	-	75,250	-	-	75,250	51,951	
Land maintenance	-	4,906	105,099	-	-	-	110,005	-	-	110,005	115,512	
Miscellaneous expense	712	5,309	596	376	24	2,282	9,299	17,733	931	27,963	21,221	
Depreciation	2,179	948	17,306	1,182	72	2,273	23,960	1,232	2,832	28,024	34,260	
	\$ 289,352	\$ 175,258	\$ 362,487	\$ 220,664	\$ 30,466	\$ 341,030	\$ 1,419,257	\$ 215,047	\$ 413,060	\$ 2,047,364	\$ 1,917,052	

See notes to consolidated financial statements.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

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

	2016	2016
Cash flows from operating activities:		
Change in net assets	\$ 3,349,960	\$ 570,145
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	28,024	34,260
Net realized and unrealized (appreciation) depreciation of investments	161,072	127,931
Loss (gain) on land sale	(10,133)	55,759
Changes in assets and liabilities:		
Investment interest receivable	(8,384)	(3,193)
Grants and bequests receivable	(1,980,542)	(44,164)
Prepaid expenses	(18,736)	(23,182)
Accounts payable	(7,552)	17,257
Accrued vacation and benefits	3,615	4,447
Net cash provided by (used in) operating activities	1,517,324	739,260
Cash flows from investing activities:		
Proceeds from sale of investments	3,087,131	4,216,231
Purchase of investments	(4,031,645)	(5,421,559)
Purchase of property and equipment	(130,588)	(14,950)
Sale of land in trust	114,500	434,929
Purchase of land in trust	(978,461)	-
Net cash provided by (used in) investing activities	(1,939,063)	(785,349)
Net change in cash and cash equivalents	(421,739)	(46,089)
Cash and cash equivalents, beginning of year	1,721,806	1,767,895
Cash and cash equivalents, end of year	\$ 1,300,067	\$ 1,721,806
Supplemental disclosure of non-cash investing and financing transactions:		
Land trust property acquired in exchange for note	\$ 300,000	\$ -

See notes to consolidated financial statements.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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, 2015, 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, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bond and bond fund	\$ -	\$ 4,647,216	\$ -	\$ 4,647,216
Equities	1,677,002	-	-	1,677,002
Equity funds	588,319	-	-	588,319
Brokered CD	-	505,450	-	505,450
Oregon Community Foundation	-	23,609	-	23,609
	<u>\$ 2,265,321</u>	<u>\$ 5,176,275</u>	<u>\$ -</u>	<u>\$ 7,441,596</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, 2016

NOTE D – NOTES PAYABLE

As of June 30, 2016, notes payable consisted of:

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>300,000</u>
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The contract maturities of notes payable are as follows:

Year Ended June 30,		
2017		\$ 100,000
2018		100,000
2019		<u>100,000</u>
		<u>\$ 300,000</u>

NOTE E – DESIGNATED NET ASSETS

The Board designated \$598,235 for staff capacity building and the Gorge Town to Trails program, \$3,535 for the Matthew Winthrop Memorial Fund, and \$412,357 for the upcoming land campaign. These Board-designated funds are not classified as endowment funds.

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, 2016 was as follows:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-designated funds	\$ -	\$ 27,000	\$ 3,339,992	\$ 3,366,992
Board designated - endowment	<u>2,074,943</u>	<u>-</u>	<u>-</u>	<u>2,074,943</u>
Total endowment net assets	<u>\$ 2,074,943</u>	<u>\$ 27,000</u>	<u>\$ 3,339,992</u>	<u>\$ 5,441,935</u>

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

June 30, 2016

NOTE F – ENDOWMENT NET ASSETS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2016 were as follows:

	Board Designated <u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	Total Endowment <u>Net Assets</u>
Endowment net assets, beginning of year	\$ 2,258,629	\$ 12,562	\$ 338,742	\$ 2,609,933
Contributions	26	-	3,001,250	3,001,276
Appropriations	-	-	-	-
Investment gains (losses)	(8,691)	28,918	-	20,227
Expenditures	<u>(175,021)</u>	<u>(14,480)</u>	<u>-</u>	<u>(189,501)</u>
Endowment net assets, end of year	<u>\$ 2,074,943</u>	<u>\$ 27,000</u>	<u>\$ 3,339,992</u>	<u>\$ 5,441,935</u>

NOTE G – RESTRICTED NET ASSETS

As of June 30, 2016, the Organization had restricted net assets as follows:

Temporarily restricted:	
Clausen	\$ 4,836
Coal	17,563
Oil Program	41,075
Preserve the Wonder	647,693
Plan Review	15,000
Hiking	9,865
Legal	375
REI	4,923
Gorge Wahoo	46,689
YARG Grant	58,768
Cape Horn acquisition fund	2,194,259
Emergency acquisition fund	545,512
Stewardship fund	164,526
Mt. Ulka	20,134
Ballou	8,000
Unappropriated endowment earnings	<u>27,000</u>
	<u>\$ 3,806,218</u>

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

June 30, 2016

NOTE G – RESTRICTED NET ASSETS (CONTINUED)

Permanently restricted:		
Nancy Russell Endowment	\$	151,242
Conservation director		3,000,000
Holman Fund		100,000
Oregon Community Foundation		25,000
Land Trust Endowment		5,000
Vic Clausen Youth Fund		<u>58,750</u>
	<u>\$</u>	<u>3,339,992</u>

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, 2016. These costs were allocated as follows:

	<u>Publication Costs</u>	<u>Prospect Costs</u>	<u>Total</u>
Program services	\$ 36,280	\$ -	\$ 36,280
Fund-raising	<u>6,050</u>	<u>7,093</u>	<u>13,143</u>
	<u>\$ 42,330</u>	<u>\$ 7,093</u>	<u>\$ 49,423</u>

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, 2016 amounted to \$59,897.

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

<u>Year Ending June 30,</u>	
2017	\$ 82,331
2018	84,801
2019	87,345
2020	89,965
2021	<u>92,664</u>
	<u>\$ 437,106</u>

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

June 30, 2016

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, 2016 was \$24,680.

NOTE L – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 4, 2016, 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, 2016

ASSETS

	Friends	Land Trust	Eliminations	Consolidated
Cash and cash equivalents	\$ 944,861	\$ 355,206	\$ -	\$ 1,300,067
Investment interest receivable	13,330	28,469	-	41,799
Investments	4,098,352	3,343,244	-	7,441,596
Grants and bequests receivable	2,060,089	35,000	-	2,095,089
Prepaid expenses	52,502	19,217	-	71,719
Inter-organization receivable	32,344	-	(32,344)	-
Property and equipment, net of accumulated depreciation of \$63,884 Friends and \$43,702 Land Trust	83,437	326,775	-	410,212
Land trust	-	7,046,237	-	7,046,237
Total assets	\$ 7,284,915	\$ 11,154,148	\$ (32,344)	\$ 18,406,719

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 33,310	\$ 10,156	\$ -	\$ 43,466
Accrued vacation and benefits	23,269	-	-	23,269
Note payable	-	300,000	-	300,000
Inter-organization payable	-	32,344	(32,344)	-
Total liabilities	56,579	342,500	(32,344)	366,735
Net assets				
Unrestricted				
Available for operations	409,851	211,404	-	621,255
Net investment in equipment and furniture	83,437	326,775	-	410,212
Net investment in land and easements	-	6,746,237	-	6,746,237
Board designated - projects	987,200	26,927	-	1,014,127
Board designated - endowment	2,101,943	-	-	2,101,943
	3,582,431	7,311,343	-	10,893,774
Temporarily restricted	310,913	3,495,305	-	3,806,218
Permanently restricted	3,334,992	5,000	-	3,339,992
Total net assets	7,228,336	10,811,648	-	18,039,984
Total liabilities and net assets	\$ 7,284,915	\$ 11,154,148	\$ (32,344)	\$ 18,406,719

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, 2016

	Friends	Land Trust	Eliminations	Consolidated
Public support and other revenue				
Foundations	\$ 196,232	\$ 23,850	\$ -	\$ 220,082
Contributions	3,287,707	696,768	-	3,984,475
Bequests	8,333	-	-	8,333
Memberships	672,985	-	-	672,985
Mitigation and legal cost recovery	3,436	392,117	-	395,553
Interest income	93,104	117,241	-	210,345
Gain (loss) on land sale	-	10,133	-	10,133
Other	24,694	31,796	-	56,490
Inter-organization charges	-	-	-	-
Total public support and other revenue	4,286,491	1,271,905	-	5,558,396
Expenses				
Program services				
Conservation	289,352	-	-	289,352
Gorge Towns to Trails	175,258	-	-	175,258
Land Trust	-	362,487	-	362,487
Legal	220,664	-	-	220,664
Lobbying	30,466	-	-	30,466
Outreach and Outdoor Program	341,030	-	-	341,030
Total program services	1,056,770	362,487	-	1,419,257
Supporting services				
Management and general	166,334	48,713	-	215,047
Fund-raising	281,179	131,881	-	413,060
Total expenses	1,504,283	543,081	-	2,047,364
Increase (decrease) in net assets before change in investments	2,782,208	728,824	-	3,511,032
Net realized and unrealized appreciation (depreciation) of investments	(97,482)	(63,590)	-	(161,072)
Change in net assets	2,684,726	665,234	-	3,349,960
Net assets, beginning of year	4,543,610	10,146,414	-	14,690,024
Net assets, end of year	\$ 7,228,336	\$ 10,811,648	\$ -	\$ 18,039,984

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, 2016

	Friends	Land Trust	Eliminations	Consolidated
Cash flows from operating activities:				
Change in net assets	\$ 2,684,726	\$ 665,234	\$ -	\$ 3,349,960
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation	9,348	18,676	-	28,024
Net realized and unrealized (appreciation) depreciation of investments	97,485	63,587	-	161,072
Loss (gain) on land sale	-	(10,133)	-	(10,133)
Changes in assets and liabilities:				
Investment interest receivable	(5,108)	(3,276)	-	(8,384)
Grants and bequests receivable	(2,026,327)	45,785	-	(1,980,542)
Other asset	(32,344)	581,873	(549,529)	-
Prepaid expenses	(15,049)	(3,687)	-	(18,736)
Accounts payable	5,614	(13,166)	-	(7,552)
Accrued vacation and benefits	3,615	-	-	3,615
Other liabilities	(581,873)	32,344	549,529	-
Net cash provided by (used in) operating activities	140,087	1,377,237	-	1,517,324
Cash flows from investing activities:				
Proceeds from sale of investments	1,990,889	1,096,242	-	3,087,131
Purchase of investments	(2,634,866)	(1,396,779)	-	(4,031,645)
Purchase of property and equipment	(74,088)	(56,500)	-	(130,588)
Sale of land in trust	-	114,500	-	114,500
Purchase of land in trust	-	(978,461)	-	(978,461)
Net cash provided by (used in) investing activities	(718,065)	(1,220,998)	-	(1,939,063)
Net change in cash and cash equivalents	(577,978)	156,239	-	(421,739)
Cash and cash equivalents, beginning of year	1,522,839	198,967	-	1,721,806
Cash and cash equivalents, end of year	\$ 944,861	\$ 355,206	\$ -	\$ 1,300,067
Supplemental disclosure of non-cash investing and financing transactions:				
Land trust property acquired by mitigation	\$ -	\$ 300,000	\$ -	\$ 300,000

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