

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

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**Year Ended June 30, 2014**



**Friends of the  
Columbia Gorge**

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**Year Ended June 30, 2014**

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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, 2014, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

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, 2014, 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 2013 consolidated financial statements, and our report dated August 26, 2013, 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, 2013, 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 6, 2014

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**June 30, 2014**

(With Comparative Totals as of June 30, 2013)

**ASSETS**

	<b>2014</b>	<b>2013</b>
Cash and cash equivalents	\$ 1,767,895	\$ 237,742
Investment interest receivable	30,222	28,725
Investments	5,577,837	5,382,433
Grants and bequests receivable	70,383	20,000
Prepaid expenses	29,801	24,058
Equipment and furniture, net of accumulated depreciation of \$51,797 and \$53,303, respectively	27,091	36,306
Land trust	6,665,618	5,508,196
<b>Total assets</b>	<b>\$ 14,168,847</b>	<b>\$ 11,237,460</b>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 33,761	\$ 39,734
Accrued vacation and benefits	15,207	26,840
<b>Total liabilities</b>	<b>48,968</b>	<b>66,574</b>
<b>Net assets</b>		
Unrestricted		
Available for operations	1,664,158	372,691
Net investment in equipment and furniture	27,091	36,306
Net investment in land and easements	6,665,618	5,508,196
Board designated - projects	803,478	803,478
Board designated - endowment	2,405,176	2,053,138
	11,565,521	8,773,809
Temporarily restricted	2,216,866	2,160,835
Permanently restricted	337,492	236,242
<b>Total net assets</b>	<b>14,119,879</b>	<b>11,170,886</b>
<b>Total liabilities and net assets</b>	<b>\$ 14,168,847</b>	<b>\$ 11,237,460</b>

See notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2014**

(With Comparative Totals for the Year Ended June 30, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2014</u>	<u>2013</u>
<b>Public support and other revenue</b>					
Foundations	\$ 70,972	\$ 160,302	\$ -	\$ 231,274	\$ 233,511
Contributions	117,347	374,308	1,250	492,905	209,000
Bequests	1,735,858	-	100,000	1,835,858	194,136
Memberships	498,942	-	-	498,942	463,221
Recovery of legal costs	13,125	-	-	13,125	-
Interest income	172,640	4,650	-	177,290	176,523
Other	988,183	108,156	-	1,096,339	58,488
	<u>3,597,067</u>	<u>647,416</u>	<u>101,250</u>	<u>4,345,733</u>	<u>1,334,879</u>
Net assets released from restrictions					
Satisfaction of purpose	604,540	(604,540)	-	-	-
<b>Total public support and other revenue</b>	<b><u>4,201,607</u></b>	<b><u>42,876</u></b>	<b><u>101,250</u></b>	<b><u>4,345,733</u></b>	<b><u>1,334,879</u></b>
<b>Expenses</b>					
Program services					
Conservation	336,617	-	-	336,617	284,417
Gorge Towns to Trails	137,902	-	-	137,902	149,053
Land Trust	223,662	-	-	223,662	242,727
Legal	177,110	-	-	177,110	178,549
Lobbying	45,895	-	-	45,895	64,266
Outreach and Outdoor Program	315,630	-	-	315,630	280,341
Total program services	<u>1,236,816</u>	<u>-</u>	<u>-</u>	<u>1,236,816</u>	<u>1,199,353</u>
Supporting services					
Management and general	156,606	-	-	156,606	134,047
Fund-raising	245,380	-	-	245,380	203,360
<b>Total expenses</b>	<b><u>1,638,802</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,638,802</u></b>	<b><u>1,536,760</u></b>
Increase (decrease) in net assets before change in investments	2,562,805	42,876	101,250	2,706,931	(201,881)
Net realized and unrealized appreciation (depreciation) of investments	<u>228,907</u>	<u>13,155</u>	<u>-</u>	<u>242,062</u>	<u>86,585</u>
<b>Change in net assets</b>	<b><u>2,791,712</u></b>	<b><u>56,031</u></b>	<b><u>101,250</u></b>	<b><u>2,948,993</u></b>	<b><u>(115,296)</u></b>
Net assets, beginning of year	<u>8,773,809</u>	<u>2,160,835</u>	<u>236,242</u>	<u>11,170,886</u>	<u>11,286,182</u>
<b>Net assets, end of year</b>	<b><u>\$ 11,565,521</u></b>	<b><u>\$ 2,216,866</u></b>	<b><u>\$ 337,492</u></b>	<b><u>\$ 14,119,879</u></b>	<b><u>\$ 11,170,886</u></b>

See notes to consolidated financial statements.

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

Year Ended June 30, 2014  
(With Comparative Totals for the Year Ended June 30, 2013)

	PROGRAM					SERVICES	SUPPORTING SERVICES				Total	
	Conservation	Gorge Towns to Trails	Land Trust	Legal	Lobbying	Outreach and Outdoor	Program Total	Management and General	Fund-Raising	2014	2013	
Salaries	\$ 148,651	\$ 61,576	\$ 61,353	\$ 72,848	\$ 6,452	\$ 147,868	\$ 498,748	\$ 69,490	\$ 131,297	\$ 699,535	\$ 633,675	
Payroll taxes	14,566	5,705	5,688	6,753	597	13,672	46,981	6,343	11,449	64,773	58,677	
Benefits	22,953	9,696	9,660	11,476	1,026	22,695	77,506	10,301	20,385	108,192	103,900	
Rent	15,158	6,860	6,620	4,698	1,366	11,188	45,890	4,938	10,024	60,852	55,000	
Printing	3,380	1,483	1,744	1,557	125	20,424	28,713	1,345	14,520	44,578	45,715	
Publication costs	2,483	-	6,034	-	-	30,636	39,153	-	6,809	45,962	45,970	
Prospect costs	-	-	485	-	-	808	1,293	-	6,710	8,003	12,136	
Postage	1,587	633	1,082	735	59	5,483	9,579	2,152	5,670	17,401	9,778	
Office supplies	834	196	759	307	21	1,284	3,401	926	1,252	5,579	3,900	
Telephone	3,820	2,140	1,008	699	63	2,089	9,819	712	1,582	12,113	12,715	
Database and website	11,186	1,303	2,098	1,126	99	6,236	22,048	4,066	4,807	30,921	35,077	
Training	40	585	543	1,248	-	480	2,896	610	1,401	4,907	4,130	
Equipment maintenance	768	700	25	30	2	348	1,873	27	446	2,346	7,653	
Dues and subscriptions	2,278	794	2,080	1,413	450	1,071	8,086	40	746	8,872	6,901	
Insurance	720	302	2,256	360	32	705	4,375	5,811	694	10,880	11,130	
Event costs	4,600	2,514	805	270	-	22,856	31,045	3,142	9,097	43,284	85,507	
Professional and contract services	89,745	33,272	5,788	69,128	35,453	9,743	243,129	30,554	4,727	278,410	188,005	
Travel	10,168	7,948	4,826	1,771	-	11,223	35,936	1,564	3,101	40,601	33,689	
Merchandise expense	-	-	-	-	-	1,150	1,150	-	4,857	6,007	1,690	
Land acquisition expense	-	-	35,090	-	-	-	35,090	-	-	35,090	61,642	
Land maintenance	-	648	60,262	-	-	643	61,553	-	-	61,553	66,363	
Miscellaneous expense	163	42	87	877	3	1,204	2,376	12,788	1,311	16,475	40,667	
Depreciation	3,517	1,505	15,369	1,814	147	3,824	26,176	1,797	4,495	32,468	12,840	
	<u>\$ 336,617</u>	<u>\$ 137,902</u>	<u>\$ 223,662</u>	<u>\$ 177,110</u>	<u>\$ 45,895</u>	<u>\$ 315,630</u>	<u>\$ 1,236,816</u>	<u>\$ 156,606</u>	<u>\$ 245,380</u>	<u>\$ 1,638,802</u>	<u>\$ 1,536,760</u>	

See notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**Year Ended June 30, 2014**

(With Comparative Totals for the Year Ended June 30, 2013)

	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 2,948,993	\$ (115,296)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	32,468	12,840
Net realized and unrealized (appreciation) depreciation of investments	(242,062)	(86,585)
Land donations	(1,052,988)	-
Changes in assets and liabilities:		
Investment interest receivable	(1,497)	(386)
Grants and bequests receivable	(50,383)	(20,000)
Prepaid expenses	(5,743)	(6,797)
Accounts payable	(5,973)	6,328
Accrued vacation and benefits	(11,633)	9,562
	<b>1,611,182</b>	<b>(200,334)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	2,459,097	1,879,217
Purchase of investments	(2,316,189)	(1,670,710)
Purchase of equipment	(9,419)	(26,641)
Purchase of land in trust	(214,518)	-
	<b>(81,029)</b>	<b>181,866</b>
<b>Net change in cash and cash equivalents</b>	<b>1,530,153</b>	<b>(18,468)</b>
Cash and cash equivalents, beginning of year	237,742	256,210
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,767,895</b>	<b>\$ 237,742</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, 2014

#### 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 of the Columbia Gorge, Inc. 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, 2014

**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, 2014**

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

**Equipment and Furniture**

Equipment and furniture over \$1,000 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, 2014**

**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, 2014

**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.

Friends and the Land Trust federal exempt organization information returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

**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, 2013, 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, 2014:

	Level 1	Level 2	Level 3	Total
Corporate bonds and bond funds	\$ -	\$ 2,074,952	\$ -	\$ 2,074,952
Government bonds	-	1,537,949	-	1,537,949
Stocks and equity mutual funds	1,964,936	-	-	1,964,936
	\$ 1,964,936	\$ 3,612,901	\$ -	\$ 5,577,837

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

**NOTE D – DESIGNATED NET ASSETS**

The Board designated \$789,943 for Collins land purchases, and \$13,535 for the Matthew Winthrop Memorial Fund. 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, 2014**

**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, 2014 was as follows:

	Board Designated <u>Unrestricted</u>	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-designated funds	\$ -	\$ 22,422	\$ 337,492	\$ 359,914
Board designated - endowment	<u>2,405,176</u>	<u>-</u>	<u>-</u>	<u>2,405,176</u>
Total endowment net assets	<u>\$ 2,405,176</u>	<u>\$ 22,422</u>	<u>\$ 337,492</u>	<u>\$ 2,765,090</u>

Changes in endowment net assets for the year ended June 30, 2014 were as follows:

	Board Designated <u>Unrestricted</u>	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 2,053,138	\$ 107,923	\$ 236,242	\$ 2,397,303
Contributions	-	-	101,250	101,250
Appropriations	(22,359)	(103,306)	-	(125,665)
Investment gains (losses)	393,357	17,805	-	411,162
Expenditures	<u>(18,960)</u>	<u>-</u>	<u>-</u>	<u>(18,960)</u>
Endowment net assets, end of year	<u>\$ 2,405,176</u>	<u>\$ 22,422</u>	<u>\$ 337,492</u>	<u>\$ 2,765,090</u>

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

June 30, 2014

**NOTE F – RESTRICTED NET ASSETS**

As of June 30, 2014, the Organization had restricted net assets as follows:

Temporarily restricted:	
Oil Northwest	\$ 7,760
Lyle Cherry Orchard REI	6,762
Gorge Wahoo	8,483
Land Trust Capacity Building	25,091
YARG Grant	74,928
Cape Horn acquisition fund	26,393
Emergency acquisition fund	1,410,057
Stewardship fund	374,512
Mt Ulka	198,091
Unappropriated endowment earnings	62,367
	<u>22,422</u>
	<u>\$ 2,216,866</u>
Permanently restricted:	
Nancy Russell Endowment	\$ 176,242
Holman Fund	100,000
Land Trust Endowment	5,000
Vic Clausen Youth Fund	56,250
	<u>337,492</u>

**NOTE G – JOINT COSTS**

The Organization incurred joint costs of \$53,965 for informational materials and activities that included fund-raising appeals during the year ended June 30, 2014. These costs were allocated as follows:

	<u>Publication Costs</u>	<u>Prospect Costs</u>	<u>Total</u>
Program services	\$ 39,153	\$ 1,293	\$ 40,446
Fund-raising	<u>6,809</u>	<u>6,710</u>	<u>13,519</u>
	<u>\$ 45,962</u>	<u>\$ 8,003</u>	<u>\$ 53,965</u>

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

**June 30, 2014**

**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, 2014 amounted to \$60,852. The Organization also has an operating lease for a copier with minimum monthly payments of \$497 expiring in December 2014.

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

Year Ending June 30,	Office Space	Copier	Total
2015	\$ 54,279	\$ 2,982	\$ 57,261
2016	50,766	-	50,766
2017	17,088	-	17,088
	\$ 122,133	\$ 2,982	\$ 125,115

**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, 2014 was \$19,046.

**NOTE K – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 6, 2014, 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, 2014**

**ASSETS**

	<u>Friends</u>	<u>Land Trust</u>	<u>Eliminations</u>	<u>Consolidated</u>
Cash and cash equivalents	\$ 1,534,608	\$ 233,287	\$ -	\$ 1,767,895
Investment interest receivable	10,263	19,959	-	30,222
Investments	2,854,835	2,723,002	-	5,577,837
Grants and bequests receivable	383	70,000	-	70,383
Prepaid expenses	27,878	1,923	-	29,801
Inter-organization receivable	-	41,329	(41,329)	-
Equipment and furniture, net of accumulated depreciation of \$51,797	27,091	-	-	27,091
Land trust	-	6,665,618	-	6,665,618
<b>Total assets</b>	<b>\$ 4,455,058</b>	<b>\$ 9,755,118</b>	<b>\$ (41,329)</b>	<b>\$ 14,168,847</b>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 33,761	\$ -	\$ -	\$ 33,761
Accrued vacation and benefits	15,207	-	-	15,207
Inter-organization payable	41,329	-	(41,329)	-
<b>Total liabilities</b>	<b>90,297</b>	<b>-</b>	<b>(41,329)</b>	<b>48,968</b>
<b>Net assets</b>				
Unrestricted				
Available for operations	1,513,949	150,209	-	1,664,158
Net investment in equipment and furniture	27,091	-	-	27,091
Net investment in land and easements	-	6,665,618	-	6,665,618
Board designated - projects	13,535	789,943	-	803,478
Board designated - endowment	2,405,176	-	-	2,405,176
	3,959,751	7,605,770	-	11,565,521
Temporarily restricted	72,518	2,144,348	-	2,216,866
Permanently restricted	332,492	5,000	-	337,492
<b>Total net assets</b>	<b>4,364,761</b>	<b>9,755,118</b>	<b>-</b>	<b>14,119,879</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,455,058</b>	<b>\$ 9,755,118</b>	<b>\$ (41,329)</b>	<b>\$ 14,168,847</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, 2014**

	<b>Friends</b>	<b>Land Trust</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Public support and other revenue</b>				
Foundations	\$ 172,774	\$ 58,500	\$ -	\$ 231,274
Contributions	215,143	277,762	-	492,905
Bequests	1,785,858	50,000	-	1,835,858
Memberships	498,846	96	-	498,942
Recovery of legal costs	13,125	-	-	13,125
Interest income	95,623	81,667	-	177,290
Other	21,464	1,074,875	-	1,096,339
Inter-organization charges	102,735	-	(102,735)	-
<b>Total public support and other revenue</b>	<b>2,905,568</b>	<b>1,542,900</b>	<b>(102,735)</b>	<b>4,345,733</b>
<b>Expenses</b>				
Program services				
Conservation	336,617	-	-	336,617
Gorge Towns to Trails	137,902	-	-	137,902
Land Trust	102,735	223,662	(102,735)	223,662
Legal	177,110	-	-	177,110
Lobbying	45,895	-	-	45,895
Outreach and Outdoor Program	315,630	-	-	315,630
Total program services	1,115,889	223,662	(102,735)	1,236,816
Supporting services				
Management and general	156,606	-	-	156,606
Fund-raising	245,380	-	-	245,380
<b>Total expenses</b>	<b>1,517,875</b>	<b>223,662</b>	<b>(102,735)</b>	<b>1,638,802</b>
Increase (decrease) in net assets before change in investments	1,387,693	1,319,238	-	2,706,931
Net realized and unrealized appreciation (depreciation) of investments	301,601	(59,539)	-	242,062
<b>Change in net assets</b>	<b>1,689,294</b>	<b>1,259,699</b>	<b>-</b>	<b>2,948,993</b>
Net assets, beginning of year	2,675,467	8,495,419	-	11,170,886
<b>Net assets, end of year</b>	<b>\$ 4,364,761</b>	<b>\$ 9,755,118</b>	<b>\$ -</b>	<b>\$ 14,119,879</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, 2014**

	<b>Friends</b>	<b>Land Trust</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Cash flows from operating activities:</b>				
Change in net assets	\$ 1,689,294	\$ 1,259,699	\$ -	\$ 2,948,993
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation	32,468	-	-	32,468
Net realized and unrealized (appreciation) depreciation of investments	(301,601)	59,539	-	(242,062)
Land donations	-	(1,052,988)	-	(1,052,988)
Changes in assets and liabilities:				
Investment interest receivable	(1,692)	195	-	(1,497)
Grants and bequests receivable	(383)	(50,000)	-	(50,383)
Prepaid expenses	(3,820)	(1,923)	-	(5,743)
Accounts payable	(5,973)	-	-	(5,973)
Accrued vacation and benefits	(11,633)	-	-	(11,633)
<b>Net cash provided by (used in) operating activities</b>	<b>1,396,660</b>	<b>214,522</b>	<b>-</b>	<b>1,611,182</b>
<b>Cash flows from investing activities:</b>				
Proceeds from sale of investments	2,099,061	360,036	-	2,459,097
Purchase of investments	(2,046,420)	(269,769)	-	(2,316,189)
Purchase of equipment	(9,419)	-	-	(9,419)
Purchase of land in trust	-	(214,518)	-	(214,518)
<b>Net cash provided by (used in) investing activities</b>	<b>43,222</b>	<b>(124,251)</b>	<b>-</b>	<b>(81,029)</b>
<b>Net change in cash and cash equivalents</b>	<b>1,439,882</b>	<b>90,271</b>	<b>-</b>	<b>1,530,153</b>
Cash and cash equivalents, beginning of year	94,726	143,016	-	237,742
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,534,608</b>	<b>\$ 233,287</b>	<b>\$ -</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	\$ -	\$ 1,052,988

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