GaryMcGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

# Caldera

Financial Statements and Other Information
as of and for the Year Ended June 30, 2016
and Report of Independent Accountants

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CERTIFIED PUBLIC ACCOUNTANTS

# REPORT OF INDEPENDENT ACCOUNTANTS

*The Board of Directors*
*Caldera:*

We have audited the accompanying financial statements of Caldera, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related 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; 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.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 auditor's 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 organization'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 organization'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 financial statements referred to above present fairly, in all material respects, the financial position of Caldera 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.

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*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 18 and 19 is presented for purposes of additional analysis and is not a required part of the 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Summarized Comparative Information*

We have previously audited Caldera's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 13, 2015. 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 financial statements from which it has been derived.

January 4, 2017

# STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

(WITH COMPARATIVE AMOUNTS FOR 2015)

| | 2016 | | | |
|---|---|---|---|---|
| | Caldera programs | Caldera facilities | Total | 2015 |
| **Assets:** | | | | |
| Cash and cash equivalents | $ 500,124 | – | 500,124 | 492,547 |
| Grants and contributions receivable *(note 3)* | 363,405 | – | 363,405 | 449,757 |
| Accounts receivable | 9,516 | – | 9,516 | 13,384 |
| Prepaid expenses and other assets | 12,601 | 18,022 | 30,623 | 33,691 |
| Investments *(notes 4 and 6)* | 1,082,151 | 7,322,828 | 8,404,979 | 7,556,399 |
| Property and equipment *(note 5)* | 27,312 | 10,024,444 | 10,051,756 | 10,503,053 |
| (Due from)/due to | (235,189) | 235,189 | – | – |
| Total assets | $ 1,759,920 | 17,600,483 | 19,360,403 | 19,048,831 |
| **Liabilities:** | | | | |
| Accounts payable and accrued expenses | 40,173 | – | 40,173 | 22,488 |
| Construction payable | – | – | – | 15,454 |
| Deferred revenue | 34,089 | – | 34,089 | 10,376 |
| Total liabilities | 74,262 | – | 74,262 | 48,318 |
| **Net assets:** | | | | |
| Unrestricted: | | | | |
| Available for programs and general operations | 102,914 | 237,532 | 340,446 | 244,147 |
| Funds designated by the Board *(note 6)* | 1,213,527 | – | 1,213,527 | 1,269,624 |
| Net investment in capital assets | 27,312 | 10,024,444 | 10,051,756 | 10,487,599 |
| Total unrestricted | 1,343,753 | 10,261,976 | 11,605,729 | 12,001,370 |
| Temporarily restricted *(note 6)* | 341,905 | 838,507 | 1,180,412 | 1,499,143 |
| Permanently restricted *(note 6)* | – | 6,500,000 | 6,500,000 | 5,500,000 |
| Total net assets | 1,685,658 | 17,600,483 | 19,286,141 | 19,000,513 |
| Commitments and contingencies *(note 10)* | | | | |
| Total liabilities and net assets | $ 1,759,920 | 17,600,483 | 19,360,403 | 19,048,831 |

See accompanying notes to financial statements.

CALDERA

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

| | | 2016 | | | |
|---|---|---|---|---|---|
| | | Caldera programs | | | |
| | Unrestricted | Temporarily restricted | Permanently restricted | Total | 2015 |
| **Operating revenues and gains:** | | | | | |
| Contributions and grants | $ 462,412 | 284,385 | – | 746,797 | 902,762 |
| In-kind contributions | 83,226 | – | – | 83,226 | 74,826 |
| Special events, net of direct costs of $114,906 in 2016 and $103,558 in 2015 | 458,933 | – | – | 458,933 | 425,979 |
| Rental income | 72,545 | – | – | 72,545 | – |
| Program fees | 10,125 | – | – | 10,125 | 7,926 |
| Operating investment income | 2,957 | – | – | 2,957 | 1,446 |
| Other revenues | 3,197 | – | – | 3,197 | 1,744 |
| Total operating revenues | 1,093,395 | 284,385 | – | 1,377,780 | 1,414,683 |
| Appropriation of quasi-endowment assets for expenditure *(note 6)* | 155,000 | – | – | 155,000 | 42,351 |
| Net assets released from restrictions for operating purposes *(note 7)* | 606,831 | (606,831) | – | – | – |
| Other transfers and allocations *(note 7)* | (145,052) | – | – | (145,052) | (46,632) |
| Total operating revenues, gains and other support | 1,710,174 | (322,446) | – | 1,387,728 | 1,410,402 |
| **Expenses** *(note 8)* **:** | | | | | |
| Program services | 1,265,384 | – | – | 1,265,384 | 937,027 |
| Management and general | 218,517 | – | – | 218,517 | 181,820 |
| Fundraising | 229,182 | – | – | 229,182 | 271,142 |
| Total expenses | 1,713,083 | – | – | 1,713,083 | 1,389,989 |
| Net operating results | (2,909) | (322,446) | – | (325,355) | 20,413 |
| **Non-operating activities:** | | | | | |
| Total investment return *(note 4)* | (135) | – | – | (135) | 26,520 |
| Appropriation of quasi-endoment assets for expenditure | (155,000) | – | – | (155,000) | (42,351) |
| Loss on disposal of capital assets | – | – | – | – | – |
| Increase (decrease) in net assets | (158,044) | (322,446) | – | (480,490) | 4,582 |
| Net assets at beginning of year | 1,501,797 | 664,351 | – | 2,166,148 | 2,161,566 |
| Net assets at end of year | $ 1,343,753 | 341,905 | – | 1,685,658 | 2,166,148 |

| 2016 Caldera facilities Unrestricted | Temporarily restricted | Permanently restricted | Total | 2015 | 2016 Total Unrestricted | Temporarily restricted | Permanently restricted | Total | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| 558,270 | – | 1,000,000 | 1,558,270 | 1,711,159 | 1,020,682 | 284,385 | 1,000,000 | 2,305,067 | 2,613,921 |
| – | – | – | – | – | 83,226 | – | – | 83,226 | 74,826 |
| – | – | – | – | – | 458,933 | – | – | 458,933 | 425,979 |
| – | – | – | – | 97,439 | 72,545 | – | – | 72,545 | 97,439 |
| – | – | – | – | – | 10,125 | – | – | 10,125 | 7,926 |
| – | – | – | – | 1,176 | 2,957 | – | – | 2,957 | 2,622 |
| – | – | – | – | 3,450 | 3,197 | – | – | 3,197 | 5,194 |
| 558,270 | – | 1,000,000 | 1,558,270 | 1,813,224 | 1,651,665 | 284,385 | 1,000,000 | 2,936,050 | 3,227,907 |
| – | – | – | – | – | 155,000 | – | – | 155,000 | 42,351 |
| – | – | – | – | – | 606,831 | (606,831) | – | – | – |
| 145,052 | – | – | 145,052 | 46,632 | – | – | – | – | – |
| 703,322 | – | 1,000,000 | 1,703,322 | 1,859,856 | 2,413,496 | (322,446) | 1,000,000 | 3,091,050 | 3,270,258 |
| 887,224 | – | – | 887,224 | 878,372 | 2,152,608 | – | – | 2,152,608 | 1,815,399 |
| – | – | – | – | – | 218,517 | – | – | 218,517 | 181,820 |
| – | – | – | – | – | 229,182 | – | – | 229,182 | 271,142 |
| 887,224 | – | – | 887,224 | 878,372 | 2,600,307 | – | – | 2,600,307 | 2,268,361 |
| (183,902) | – | 1,000,000 | 816,098 | 981,484 | (186,811) | (322,446) | 1,000,000 | 490,743 | 1,001,897 |
| – | 3,715 | – | 3,715 | 104,458 | (135) | 3,715 | – | 3,580 | 130,978 |
| – | – | – | – | – | (155,000) | – | – | (155,000) | (42,351) |
| (53,695) | – | – | (53,695) | (13,287) | (53,695) | – | – | (53,695) | (13,287) |
| (237,597) | 3,715 | 1,000,000 | 766,118 | 1,072,655 | (395,641) | (318,731) | 1,000,000 | 285,628 | 1,077,237 |
| 10,499,573 | 834,792 | 5,500,000 | 16,834,365 | 15,761,710 | 12,001,370 | 1,499,143 | 5,500,000 | 19,000,513 | 17,923,276 |
| 10,261,976 | 838,507 | 6,500,000 | 17,600,483 | 16,834,365 | 11,605,729 | 1,180,412 | 6,500,000 | 19,286,141 | 19,000,513 |

# STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

| | | 2016 | 2015 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Cash received from contributors and program participants | $ | 2,078,708 | 1,786,640 |
| Interest income received | | 78,454 | 281,135 |
| Cash paid to employees and suppliers | | (2,169,261) | (1,858,482) |
| Net cash provided by (used in) operating activities | | (12,099) | 209,293 |
| **Cash flows from investing activities:** | | | |
| Acquisition of equipment and building improvements | | (59,825) | (305,957) |
| Reinvestment of interest and dividend income | | (75,499) | (278,513) |
| Purchase of investments | | (500,000) | (984,859) |
| Proceeds from the sale of investments | | 155,000 | 42,351 |
| Net cash used in investing activities | | (480,324) | (1,526,978) |
| **Cash flows from financing activities:** | | | |
| Proceeds from contributions restricted for capital acquisition | | – | 302,117 |
| Proceeds from contributions restricted for long-term investment | | 500,000 | 1,000,000 |
| Principal payments on note payable | | – | (22,227) |
| Net cash provided by financing activities | | 500,000 | 1,279,890 |
| Net increase (decrease) in cash and cash equivalents | | 7,577 | (37,795) |
| Cash and cash equivalents at beginning of year | | 492,547 | 530,342 |
| Cash and cash equivalents at end of year | $ | 500,124 | 492,547 |

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

## 1. Organization

A nonprofit arts organization, Caldera is a catalyst for the transformation of underserved youth through innovative, year-round art and environmental programs. The year ended June 30, 2016 marks Caldera's 20th anniversary.

Caldera serves Oregon youth from both urban and rural communities with limited access to educational and economic resource opportunities. Our programs nurture individual creativity to ignite self-expression and transform the way young people engage in their lives, families, and communities. Each year we support over 430 youth from Central Oregon and Portland, integrating over 100 professional youth workers, artists, and environmental specialists as mentors and teachers. In 2015, Caldera received a National Arts and Humanities Youth Program Award from First Lady Michelle Obama, recognizing Caldera as one of the top youth arts programs in the nation.

We invigorate our Youth Program through these related activities:

- Our Artists In Residence (Air) Program invites professional artists from around the world to our Art Center near Sisters to develop their work and teach our youth.
- Our Arts Integration activities support teachers in our partner schools and partner organizations in using the arts as a tool for learning.
- Our Arts Center Events & Rentals activities allow us to present a variety of public events in our Central Oregon Art Center, as well as to host or rent to other organizations with missions aligned with ours, together building a broad community of support for our youth.

## 2. Summary of Significant Accounting Policies

The significant accounting policies followed by Caldera are described below to enhance the usefulness of the financial statements to the reader.

**Basis of Accounting** – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

**Basis of Presentation** – The organization has adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 958-605, *Revenue Recognition* and FASB ASC No. 958-205, *Presentation of Financial Statements*. Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the organization and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the organization and/or the passage of time.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization. Generally the donors permit the organization to use all or part of the income earned on related investments for general or specific purposes.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations 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.

**Allocation of Facility Costs** – The costs associated with operating and maintaining the Central Oregon facility, totaling $887,224 during the year ended June 30, 2016, have been allocated among the programs benefited based on the number of days of program use. Caldera programs incur a charge for the use of facilities based on a rate of $1,306 per day. See note 7.

**Use of Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, such differences, if any, would not be significant.

**Contributions** – Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the promise was received by the organization. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Management estimates an allowance for uncollectible contributions receivable based on past collection history.

Contributions of capital assets without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire capital assets with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

**In-Kind Contributions** – The organization receives contributed services from a large number of volunteers who assist in fundraising and other efforts through their participation in a range of businesses and activities. In accordance with FASB ASC No. 958-605, *Revenue Recognition,* the value of such services, which the organization considers generally not practicable to estimate, has not been recognized in the accompanying financial statements. Significant services received which create or enhance a non-financial asset or require specialized skills that the organization would have purchased if not donated are recognized in the accompanying financial statements. Finally, in-kind contributions of equipment and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of the organization’s activities.

**Cash Equivalents** – For purposes of the financial statements, the organization considers all liquid investments having initial maturities of three months or less to be cash equivalents. At June 30, 2016, cash equivalents represent $315,967 invested in money market funds. Cash and cash equivalents held as part of Caldera’s investment portfolio, and where management’s intention is to use the cash to acquire investments to be held long-term, are classified as investments.

**Investments** – Under the provisions of FASB ASC No. 958-320, *Investments – Debt and Equity Securities,* investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair value in the statement of financial position.

Net appreciation (decline) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (decline) of those investments, is shown in the statement of activities. Interest income is accrued as earned, and reported net of investment advisory fees totaling $50,478 during the year ended June 30, 2016. Security transactions are recorded on a trade date basis.

The organization has some exposure to investment risks, including interest rate, market, and credit risks for marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the accompanying financial statements.

**Capital Assets and Depreciation** – Property and equipment are carried at cost, and initially measured at fair value when acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which is generally 20 to 40 years for buildings and related improvements, and 3 to 7 years for vehicles, furniture, and equipment. Artwork is not depreciated.

**Impairment of Long-Lived Assets** – Long-lived assets, including capital assets and property held for sale, are reviewed whenever events or changes in circumstances occur that indicate possible impairment in accordance with FASB ASC No. 360, *Property, Plant and Equipment – Subsequent Measurement*. The organization's impairment review is based on an undiscounted cash flow analysis at the lowest level at which cash flows of the long-lived assets are largely independent of other groups of organization assets and liabilities. The organization conducts annual reviews for idle and underutilized equipment, and reviews business plans for possible impairment. Impairment occurs when the carrying value of the asset exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. When an impairment is indicated, the estimated future cash flows are then discounted to determine the estimated fair value of the asset and an impairment charge is recorded for the difference between the carrying value and the net present value of estimated future cash flows. As of June 30, 2016, Caldera does not believe there is any indication that the carrying value or the amortization of its capital assets has been impaired during the year ended June 30, 2016.

**Revenue Recognition** – All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Service revenues are recognized at the time services are provided and the revenues are earned.

**Benefits Provided to Donors at Special Events** – The organization conducts special fundraising events in which a portion of the gross proceeds paid by participants represents payment for the direct cost of the benefits received by participants at the event. Unless a verifiable, objective mean exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the organization.

**Operating Results** – Operating results reported in the statement of activities reflect all transactions that change unrestricted net assets, except for the in-kind contribution of capital assets, loss on disposal of capital assets, impairment losses, the net investment return on endowment and related assets (less the amount appropriated by the Board to support current operations), and net assets released from restrictions for capital purposes.

**Endowment Funds and Interpretation of Relevant Law** – Effective January 1, 2008, the State of Oregon adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which governs Oregon charitable institutions with respect to the management, investment, and expenditure of donor-restricted endowment funds.

The Board of Directors has interpreted Oregon's adoption of UPMIFA as requiring the organization to adopt investment and spending policies that preserve the fair value of the original gift as of the date of gift, absent explicit donor stipulations to the contrary. Although the organization has a long-term fiduciary duty to the donor (and to others) for a fund of perpetual duration, the preservation of the endowment's purchasing power is only one of several factors that are considered in managing and investing these funds. Furthermore, in accordance with UPMIFA, a portion of the endowment's original gift may be appropriated for expenditure in support of the restricted purposes of the endowment if this is consistent with a spending policy that otherwise satisfies the requisite standard of prudence under UPMIFA.

As a result of this interpretation, the organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) subsequent gifts to the endowment, and (3) accumulations made pursuant to the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Net earnings (realized and unrealized) on the investment of endowment assets are classified as temporarily restricted until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA and until expended in a manner consistent with the purpose or time restrictions, if any, imposed by the donor. Any investment return classified as permanently restricted represents only those amounts required to be retained permanently as a result of explicit donor stipulations.

With regard to endowment losses or appropriations in excess of the fair value of the original gift, in accordance with FASB ASC No. 958-320, *Investments – Debt and Equity Securities*, the portion of a donor restricted endowment that is classified as permanently restricted is not reduced by losses on the investments of the fund, except to the extent required by the donor, including losses related to specific investments that the donor requires the organization to hold in perpetuity. Similarly, the amount of permanently restricted net assets is not reduced by the organization's appropriations from the fund. In the absence of donor stipulations or law to the contrary, losses or appropriations of a donor-restricted endowment reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been satisfied before the loss or appropriation occurs. Any remaining loss or appropriation reduces unrestricted net assets.

In accordance with UPMIFA, the Board of Directors has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs and operations supported by its endowment, while also seeking to maintain the long-term purchasing power of the endowment assets. Therefore, the Board of Directors considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the organization and the fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the organization; and
- The investment policies of the organization.

To meet its objective, the organization's policies limit the spending of investment income and appreciation to amounts approved for distribution by the Board of Directors. During the year ended June 30, 2016, there were no appropriations from donor-restricted endowment. However, the Board did elect to appropriate $155,000 from the Board-designated endowment. See note 6.

**Conflict-of-Interest Policies** – Included among the organization's Board members, committee members, and executives are volunteers from the community who provide valuable assistance to the organization in the development of policies and programs, and in the evaluation and oversight of services. The organization has established a conflict-of-interest policy whereby Board and committee members must advise the Board of Directors of any direct or indirect interest in any transaction or relationship with the organization, and do not participate in discussions and decisions regarding any action affecting their individual, professional, or business interests.

**Concentrations of Credit Risk** – Caldera's financial instruments consist primarily of cash equivalents, equity funds, fixed-income funds, and money market funds, which may subject the organization to concentrations of credit risk as, from time to time, for example, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). In addition, the market value of securities is dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values.

All checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC for up to $250,000 for each depositor, for each insured bank, for each account ownership category.

Certain receivables may also, from time to time, subject the organization to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, the organization's management evaluates the financial condition of its customers and donors, and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics. When necessary, receivables are reported net of an allowance for uncollectible accounts.

**Income Taxes** – Caldera is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. Caldera derives its public charity status as an organization described in Sections 170(b)(1)(A)(vi) and 509(a)(1) of the Internal Revenue Code.

**Subsequent Events** – As required by FASB ASC No. 855, *Subsequent Events,* subsequent events have been evaluated by management through January 4, 2017, which is the date the financial statements were available to be issued.

**Summarized Financial Information for 2015** – The accompanying financial information as of and for the year ended June 30, 2015 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

**Other Significant Accounting Policies** – Other significant accounting policies are set forth in the financial statements and the following notes.

## 3. Grants and Contributions Receivable

Grants and contributions receivable at June 30, 2016 represent $363,405 in unconditional promises expected to be collected in less than one year.

## 4. Investments and Investment Return

Investments are carried at fair value, and consist of the following at June 30, 2016:

| | |
|---|---|
| Cash | $ 1,500,863 |
| Governmental instruments | 100,792 |
| Corporate bonds | 1,575,006 |
| Bond mutual funds | 404,782 |
| Equity mutual funds | 3,382,070 |
| Other | 1,441,466 |
| | $ 8,404,979 |

See note 6 for information about the purposes for which investments were held at June 30, 2016.

Total investment return for the year ended June 30, 2016 is summarized as follows:

| | |
|---|---|
| Interest and dividend income | $ 75,499 |
| Net decline in the fair value of investments | (71,919) |
| | $ 3,580 |

## 5. Property and Equipment

A summary of property and equipment at June 30, 2016 is as follows:

| | |
|---|---|
| Buildings and related improvements | $ 13,836,785 |
| Furniture and equipment | 837,099 |
| Vehicles | 186,482 |
| Artwork | 57,539 |
| | 14,917,905 |
| Less accumulated depreciation | (4,866,149) |
| | $ 10,051,756 |

The land located at Caldera is owned by a limited liability company controlled by Caldera's founder and Board Chair, and is leased to Caldera under a ground lease that expires in January of 2020. The lease will automatically renew for an additional five-year term, unless written termination is provided prior to the expiration date. Improvements made to these properties by the organization have been capitalized and are carried on the organization's statement of financial position. Upon expiration or early termination of the ground lease, the landlord shall pay the tenant the fair market value of any improvements to the leased property at fair market value.

Caldera is not required to make any rental payments to the property's owner. Because the value of this in-kind contribution to Caldera is unknown, the present value of the lease commitment has not been included in the accompanying financial statements as an in-kind contribution.

## 6. Restrictions and Limitations on Net Asset Balances

*Board-Designated Net Assets*

As of June 30, 2016, the Board of Directors had designated $1,213,527 in unrestricted net assets as follows:

| | |
|---|---|
| Board-designated endowment | $ 1,082,151 |
| Operational reserve | 32,336 |
| Strategic plan | 48,572 |
| Office furniture | 50,468 |
| | $ 1,213,527 |

*Temporarily Restricted Net Assets*

Temporarily restricted net assets at June 30, 2016 totaled $1,180,412 and consist of contributions, grants, and other unexpended revenues and gains restricted by donors and available only for specific program services and future periods, as follows:

| | |
|---|---|
| Programs | $ 125,000 |
| Strategic plan | 35,000 |
| Scholarships | 7,500 |
| Unappropriated endowment return restricted to facilities | 838,507 |
| Future periods | 174,405 |
| | $ 1,180,412 |

*Permanently Restricted Net Assets*

Permanently restricted net assets at June 30, 2016 totaled $6,500,000 and consisted of gifts to the facilities endowment.

The following summarizes the organization's endowment-related activities for the year ended June 30, 2016:

| | Donor-restricted endowment | | | Board-designated endowment | |
|---|---|---|---|---|---|
| | Temporarily restricted | Permanently restricted | Total | Unrestricted | Total endowment |
| Endowment net assets at beginning of year | $ 834,792 | 5,500,000 | 6,334,792 | 1,237,288 | 7,572,080 |
| Grants and contributions | – | 1,000,000 | 1,000,000 | – | 1,000,000 |
| Investment return | 3,715 | – | 3,715 | (137) | 3,578 |
| Appropriation of endowment assets for expenditure | – | – | – | (155,000) | (155,000) |
| Endowment net assets at end of year | $ 838,507 | 6,500,000 | 7,338,507 | 1,082,151 | 8,420,658 |

At June 30, 2016, endowment assets are held as follows:

| | Donor-restricted endowment | | | Board-designated endowment | |
|---|---|---|---|---|---|
| | Temporarily restricted | Permanently restricted | Total | Unrestricted | Total endowment |
| Investments *(note 4)* | $ 822,828 | 6,500,000 | 7,322,828 | 1,082,151 | 8,404,979 |
| Cash held by Caldera programs | 15,679 | – | 15,679 | – | 15,679 |
| | $ 838,507 | 6,500,000 | 7,338,507 | 1,082,151 | 8,420,658 |

## 7. Net Assets Released from Restrictions and Other Transfers and Allocations

*Net Assets Released from Restrictions*

During the year ended June 30, 2016, the organization incurred $606,831 in expenses in satisfaction of the restricted purposes specified by the donors, or by occurrence of other events specified by donors.

*Other Transfers and Allocations*

During the year ended June 30, 2016, Caldera programs incurred an internal charge of $1,306 per day for use of program facilities. In addition, Caldera facilities incurred an administrative management fee of 10.0% of gross facility expenses. These charges are presented in the statement of activities, as follows:

| | | |
|---|---|---|
| Facility usage charged to Caldera programs | $ | (233,774) |
| Administrative costs charged to Caldera facilities | | 88,722 |
| | $ | (145,052) |

## 8. Expenses

The costs of providing the various programs and other activities of Caldera have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

## 9. Fair Value Measurements

Caldera's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by FASB ASC No. 820, *Fair Value Measurements and Disclosures*. This hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

At June 30, 2016 Caldera's investments (valued at $8,404,979; see note 4) are measured at fair value on a recurring basis using quoted prices in active markets for identical assets (i.e., Level 1).

## 10. Retirement Plan

The organization provides all employees with the opportunity to contribute to a tax-sheltered annuity plan, as described in Section 403(b) of the Internal Revenue Code. All employees may make voluntary contributions to the plan on a pre-tax basis, up to the limits allowed by law, from their first day of employment. Employees select from among several investment options. The organization may make voluntary contributions to the plan. All contributions to the plan from both the employees and the organization vest as earned. During the year ended June 30, 2016, the organization made contributions to the retirement plan totaling $8,900.

## 11. Statement of Cash Flows Reconciliation

The following presents a reconciliation of the increase in net assets (as reported on the statement of activities) to net cash used in operating activities (as reported on the statement of cash flows) for the year ended June 30, 2016:

| | | |
|---|---|---|
| Increase in net assets | $ | 285,628 |
| *Adjustments to reconcile increase in net assets to net cash used in operating activities:* | | |
| Depreciation | | 441,973 |
| Net decline in the fair value of investments | | 71,919 |
| Contribution of common stock | | (500,000) |
| Proceeds from contributions restricted for long-term investment | | (500,000) |
| Loss on disposal of capital assets | | 53,695 |
| *Net changes in:* | | |
| Grants and contributions receivable | | 86,352 |
| Accounts receivable | | 3,868 |
| Prepaid expenses and other assets | | 3,068 |
| Accounts payable and accrued expenses | | 17,685 |
| Deferred revenue | | 23,713 |
| Total adjustments | | (297,727) |
| Net cash used in operating activities | $ | (12,099) |

## 12. Reclassification of 2015 Comparative Totals

Certain 2015 amounts presented herein have been reclassified to conform to the 2016 presentation.

■

# SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

| | 2016 | | | |
|---|---|---|---|---|
| | | Supporting services | | |
| | Program services | Management and general | Facilities | Fundraising |
| Salaries and related expenses | $ 809,905 | 123,165 | 182,602 | 176,527 |
| Professional services | 208,323 | 31,680 | 25,825 | 2,640 |
| Occupancy | 52,441 | 7,979 | 46,189 | 12,113 |
| Supplies and materials | 25,815 | 3,927 | 32,927 | 5,962 |
| Scholarships | 17,500 | – | – | – |
| Stipends | 15,036 | – | – | – |
| Postage and shipping | 1,424 | 217 | 140 | 329 |
| Printing and copying | 2,373 | 361 | – | 548 |
| Insurance | 4,703 | 715 | 68,693 | 1,086 |
| Telephone | 6,189 | 942 | 22,505 | 1,430 |
| Repairs and maintenance | 11,642 | 1,771 | 91,215 | 2,689 |
| Travel and transportation | 33,461 | 5,091 | 3,202 | 7,729 |
| Meals | 31,849 | 4,846 | 298 | 7,357 |
| Meetings and conferences | 24,173 | 3,678 | 328 | 5,584 |
| Interest | – | 79 | – | – |
| Depreciation | – | 30,938 | 410,593 | 442 |
| Other | 20,550 | 3,128 | 2,707 | 4,746 |
| Total expenses before allocation of facilities expenses | 1,265,384 | 218,517 | 887,224 | 229,182 |
| Allocation of facilities expenses | 887,224 | – | (887,224) | – |
| Total expenses | $ 2,152,608 | 218,517 | – | 229,182 |

| Total | 2015 |
|---|---|
| 1,292,199 | 1,131,333 |
| 268,468 | 188,486 |
| 118,722 | 109,977 |
| 68,631 | 85,264 |
| 17,500 | 9,536 |
| 15,036 | 19,500 |
| 2,110 | 1,700 |
| 3,282 | 433 |
| 75,197 | 74,528 |
| 31,066 | 30,851 |
| 107,317 | 53,420 |
| 49,483 | 33,142 |
| 44,350 | 39,719 |
| 33,763 | 25,829 |
| 79 | 211 |
| 441,973 | 443,915 |
| 31,131 | 20,517 |
| 2,600,307 | 2,268,361 |
| – | – |
| 2,600,307 | 2,268,361 |

CALDERA

## GOVERNING BOARD, ADVISORY COMMITTEES, AND MANAGEMENT

JUNE 30, 2016

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**Board of Directors**

Dan Wieden, *Board Co-Chair*
*Chairman, Global Management Team*
*Wieden + Kennedy*
*Portland, Oregon*

Wes Lawrence, *Board Co-Chair*
*Managing Partner*
*Evensol, LLC*
*Sisters, Oregon*

Mary Normand, *Board Secretary*
*Executive Assistant*
*Wieden + Kennedy*
*Portland, Oregon*

Cindy Campbell, *Board Treasurer*
*Co-Founder, Friends of the Children – Portland*
*Portland, Oregon*

Dave Chen
*Principal*
*Equilibrium Capital Group*
*Portland, Oregon*

Karrelle Dixon
*Director of Emerging Markets*
*Wieden + Kennedy*
*London, U.K.*

John Jay
*President of Global Creative, Fast Retailing*
*GX*
*Portland, Oregon*

Cristy Lanfri, *Past Board Co-Chair*
*Arts, Education & Environmental Advocate*
*Bend, Oregon*

Barbara McDougall
*Children's Advocate*
*Portland, Oregon*

René Mitchell
*Principal*
*René Mitchell Creative*
*Bend, Oregon*

Dennis Wilde
*Co-Founder*
*Popeye's Girlfriend, LLC*
*Roseburg, Oregon*
*(Formerly Chief Sustainability Officer, Gerding Edlen, Portland, Oregon)*

Nancy Wilgenbusch
*President Emeritus*
*Marylhurst University*
*Marylhurst, Oregon*

Bob Woodell
*Co-Founder*
*Rogue Brewery*
*Sisters, Oregon*
*(Formerly Chief Operating Officer of Nike and Executive Director, Port of Portland)*

**Emeritus Board Member**

Myrlie Evers-Williams
*Founder, Medgar Evers Institute*
*Pomona, California*

## Advisory Committees

### Executive Committee

Dan Wieden, *Co-Chair*
Wes Lawrence, *Co-Chair*
Cristy Lanfri, *Past Chair*
Cindy Campbell *(Finance Committee Chair)*
Dave Chen *(Investment Committee Chair)*
Barbara MacDougall *(Advancement Committee Chair)*
Dennis Wilde *(Programs Committee Chair)*
Tricia Snell, *Staff*

### Governance Committee

Dan Wieden, *Co-Chair*
Wes Lawrence, *Co-Chair*
Cristy Lanfri, *Past Chair*
Mary Normand
Bob Woodell
Tricia Snell, *Staff*

### Finance Committee

Cindy Campbell, *Co-Chair (Finance)*
*David Chen, Co-Chair (Investments)*
Dennis Wilde
Shelly Haugh, *Staff*
Tricia Snell, *Staff*

### Advancement Committee

Barbara MacDougall, *Chair*
René Mitchell
Nancy Wilgenbusch
Michelle Meyer, *Staff*

### Programs Committee

Dennis Wilde, *Chair*
Karrelle Dixon
John Jay
Elizabeth Quinn, *Staff*

### Central Oregon Advisory Committee

Cristy Lanfri, *Co-Chair*
René Mitchell, *Co-Chair*
Kathy Deggendorfer
Noelle Fredland
Jenny Green
Julie Gregory
Margi Heater
Pamela Hulse Andrews
Wes Lawrence
Chuck Newport
Amanda Stuermer
Jody Ward
Mary Anne Woodell
Michelle Meyer, *Staff*

## Management

Tricia Snell
*Executive Director*

David Nolfi
*Finance & Operations Director (until March 2016)*

Shelly Haugh
*Interim Finance Director (April 2016+)*

Michelle Meyer
*Development Director*

Jon Larsen
*Education Director*

Elizabeth Quinn
*Creative Director*

Elia Unverzagt
*Communications Director*

Olivia Mitchell
*Executive Assistant & Office Manager*

## INQUIRIES AND OTHER INFORMATION

CALDERA

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