GaryMcGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

Caldera

Financial Statements and Other Information
as of and for the Year Ended June 30, 2017
and Report of Independent Accountants

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GaryMcGee & Co. LLP
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, 2017, 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, 2017, 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 page 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 4, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gray, Cox & Co. LLP

January 22, 2018

C A L D E R A

STATEMENT OF FINANCIAL POSITION

J U N E 3 0 , 2 0 1 7

(W I T H C O M P A R A T I V E A M O U N T S F O R 2 0 1 6)

	2017			
	Caldera programs	Caldera facilities	Total	2016
Assets:				
Cash and cash equivalents	$ 441,266	–	441,266	500,124
Grants and contributions receivable *(note 4)*	392,876	–	392,876	363,405
Accounts receivable	–	–	–	9,516
Prepaid expenses and other assets	19,677	–	19,677	30,623
Investments *(notes 5 and 7)*	1,102,281	8,866,914	9,969,195	8,404,979
Property and equipment *(note 6)*	27,312	9,622,277	9,649,589	10,051,756
Due from (to)	(354,170)	354,170	–	–
Total assets	$ 1,629,242	18,843,361	20,472,603	19,360,403
Liabilities:				
Accounts payable and accrued expenses	37,318	–	37,318	40,173
Deferred revenue	71,743	–	71,743	34,089
Total liabilities	109,061	–	109,061	74,262
Net assets:				
Unrestricted:				
Available for programs and general operations	(5,006)	338,432	333,426	340,446
Funds designated by the Board *(note 7)*	1,218,367	–	1,218,367	1,213,527
Net investment in capital assets	27,312	9,622,277	9,649,589	10,051,756
Total unrestricted	1,240,673	9,960,709	11,201,382	11,605,729
Temporarily restricted *(note 7)*	279,508	1,382,652	1,662,160	1,180,412
Permanently restricted *(note 7)*	–	7,500,000	7,500,000	6,500,000
Total net assets	1,520,181	18,843,361	20,363,542	19,286,141
Total liabilities and net assets	$ 1,629,242	18,843,361	20,472,603	19,360,403

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

		2017			
		Caldera programs			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	2016
Operating revenues and gains:					
Contributions and grants	$ 652,370	359,391	–	1,011,761	746,797
In-kind contributions	129,221	–	–	129,221	83,226
Special events, net of direct costs of $111,228 in 2017 and $114,906 in 2016	382,148	–	–	382,148	458,933
Rental income	102,397	–	–	102,397	72,545
Program fees	16,257	–	–	16,257	10,125
Operating investment income	594	–	–	594	2,957
Other revenues	3,684	–	–	3,684	3,197
Total operating revenues	1,286,671	359,391	–	1,646,062	1,377,780
Appropriation of quasi-endowment assets for expenditure *(note 7)*	50,000	–	–	50,000	155,000
Net assets released from restrictions for operating purposes *(note 8)*	421,788	(421,788)	–	–	–
Other transfers and allocations *(note 8)*	(122,095)	–	–	(122,095)	(145,052)
Total operating revenues, gains and other support	1,636,364	(62,397)	–	1,573,967	1,387,728
Expenses *(note 9)* **:**					
Program services	988,115	–	–	988,115	1,265,384
Management and general	335,480	–	–	335,480	218,517
Fundraising	435,979	–	–	435,979	229,182
Total expenses	1,759,574	–	–	1,759,574	1,713,083
Net operating results	(123,210)	(62,397)	–	(185,607)	(325,355)
Non-operating activities:					
Total investment return *(note 5)*	70,130	–	–	70,130	(135)
Appropriation of quasi-endoment assets for expenditure	(50,000)	–	–	(50,000)	(155,000)
Loss on disposal of capital assets	–	–	–	–	–
Increase (decrease) in net assets	(103,080)	(62,397)	–	(165,477)	(480,490)
Net assets at beginning of year	1,343,753	341,905	–	1,685,658	2,166,148
Net assets at end of year	$ 1,240,673	279,508	–	1,520,181	1,685,658

See accompanying notes to financial statements.

2017					2017				
Caldera facilities					Total				
Unrestricted	Temporarily restricted	Permanently restricted	Total	2016	Unrestricted	Temporarily restricted	Permanently restricted	Total	2016
459,918	–	1,000,000	1,459,918	1,558,270	1,112,288	359,391	1,000,000	2,471,679	2,305,067
–	–	–	–	–	129,221	–	–	129,221	83,226
–	–	–	–	–	382,148	–	–	382,148	458,933
–	–	–	–	–	102,397	–	–	102,397	72,545
–	–	–	–	–	16,257	–	–	16,257	10,125
–	–	–	–	–	594	–	–	594	2,957
–	–	–	–	–	3,684	–	–	3,684	3,197
459,918	–	1,000,000	1,459,918	1,558,270	1,746,589	359,391	1,000,000	3,105,980	2,936,050
–	–	–	–	–	50,000	–	–	50,000	155,000
–	–	–	–	–	421,788	(421,788)	–	–	–
122,095	–	–	122,095	145,052	–	–	–	–	–
582,013	–	1,000,000	1,582,013	1,703,322	2,218,377	(62,397)	1,000,000	3,155,980	3,091,050
883,280	–	–	883,280	887,224	1,871,395	–	–	1,871,395	2,152,608
–	–	–	–	–	335,480	–	–	335,480	218,517
–	–	–	–	–	435,979	–	–	435,979	229,182
883,280	–	–	883,280	887,224	2,642,854	–	–	2,642,854	2,600,307
(301,267)	–	1,000,000	698,733	816,098	(424,477)	(62,397)	1,000,000	513,126	490,743
–	544,145	–	544,145	3,715	70,130	544,145	–	614,275	3,580
–	–	–	–	–	(50,000)	–	–	(50,000)	(155,000)
–	–	–	–	(53,695)	–	–	–	–	(53,695)
(301,267)	544,145	1,000,000	1,242,878	766,118	(404,347)	481,748	1,000,000	1,077,401	285,628
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
9,960,709	1,382,652	7,500,000	18,843,361	17,600,483	11,201,382	1,662,160	7,500,000	20,363,542	19,286,141

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017	2016
Cash flows from operating activities:		
Cash received from contributors and program participants	$ 2,105,092	2,078,708
Interest and dividend income received	45,220	78,454
Cash paid to employees and suppliers	(2,192,293)	(2,169,261)
Net cash used in operating activities	(41,981)	(12,099)
Cash flows from investing activities:		
Acquisition of equipment and building improvements	(22,310)	(59,825)
Reinvestment of interest and dividend income	(44,567)	(75,499)
Purchase of investments	(1,000,000)	(500,000)
Proceeds from the sale of investments	50,000	155,000
Net cash used in investing activities	(1,016,877)	(480,324)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	1,000,000	500,000
Net cash provided by financing activities	1,000,000	500,000
Net increase (decrease) in cash and cash equivalents	(58,858)	7,577
Cash and cash equivalents at beginning of year	500,124	492,547
Cash and cash equivalents at end of year	$ 441,266	500,124

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

1. Organization

A nonprofit arts organization, Caldera is a catalyst for the transformation of underserved youth through innovative, year-round art and environmental programs.

Caldera serves creative, spirited, and curious 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 approximately 400 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 Arts Center near Sisters, Oregon to develop their work and teach the youth Caldera serves.
- 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 $883,280 during the year ended June 30, 2017, 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 $1,268 per day. See note 8.

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. During the year ended June 30, 2017, Caldera recorded $6,258 in donated materials, $104,308 in free use of facilities and $18,655 in donated design services. See notes 6 and 12.

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, 2017, cash equivalents represent $203,908 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 $124,661 during the year ended June 30, 2017. 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 both marketable and non-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, 2017, 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, 2017.

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, 2017, there were no appropriations from donor-restricted endowment. However, the Board did elect to appropriate $50,000 from the Board-designated endowment. See note 7.

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 securities, fixed-income securities, and private investments, 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 and 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, and 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 22, 2018, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2016 – The accompanying financial information as of and for the year ended June 30, 2016 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. Accounting Amendment Adoption

In May of 2015, the FASB issued Accounting Standards Update ("ASU") 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which exempts investments measured using the net asset value practical expedient in FASB ASC No. 820, *Fair Value Measurements and Disclosures*, from categorization within the fair value hierarchy. The guidance requires retrospective application and is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted and Caldera's management elected to adopt the provisions of this new standard early. Accordingly, investments measured at net asset value are removed from the fair value hierarchy described in note 10.

4. Grants and Contributions Receivable

Grants and contributions receivable at June 30, 2017 are summarized as follows:

Unconditional promises expected to be collected in:		
Less than one year	$	342,876
One year to five years		50,000
	$	392,876

In addition, at June 30, 2017 the organization held conditional pledges in the amount of $40,053; of which, $20,053 was conditioned upon Caldera incurring specific eligible expenses; and $20,000 was conditioned upon raising matching funds. These pledges have not been included in the accompanying financial statements because, as of June 30, 2017, the organization had not yet satisfied the associated conditions.

5. Investments and Investment Return

Investments consist of the following at June 30, 2017:

Equity securities	$	4,398,915
Governmental instruments		2,856,056
Investments in private equity partnerships		1,540,496
Corporate bonds		549,390
Municipal bonds		393,145
Real estate investment trusts		120,480
Investments at fair value		9,858,482
Cash and cash equivalents		110,713
	$	9,969,195

See note 7 for information about the purposes for which investments were held at June 30, 2017.

Total investment return for the year ended June 30, 2017 is summarized as follows:

Interest and dividend income	$	169,287
Less investment fees		(124,661)
Interest and dividend income, net		44,626
Net appreciation in the fair value of investments		569,649
	$	614,275

6. Property and Equipment

A summary of property and equipment at June 30, 2017 is as follows:

Buildings and related improvements	$	13,859,136
Furniture and equipment		837,058
Vehicles		186,482
Artwork		57,539
		14,940,215
Less accumulated depreciation		(5,290,626)
	$	9,649,589

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.

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.

In addition, Caldera's administrative offices are also provided free of charge by a company controlled by Caldera's founder and Board Chair. The estimated value of the free rent received during the year ended June 30, 2017, totaled $104,308, and has been recorded as in-kind revenue and expense in the accompanying statement of activities. See note 12.

7. Restrictions and Limitations on Net Asset Balances

Board-Designated Net Assets

As of June 30, 2017, the Board of Directors had designated $1,218,367 in unrestricted net assets as follows:

Board-designated endowment	$ 1,102,281
Operational reserve	32,336
Strategic plan	48,572
Office furniture	35,178
	$ 1,218,367

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 totaled $1,662,160 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	$ 128,000
Strategic plan	17,583
Scholarships	20,500
Unappropriated endowment return restricted to facilities	1,382,652
Future periods	113,425
	$ 1,662,160

Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2017 totaled $7,500,000 and consisted of gifts to the facilities endowment.

Continued

The following summarizes the organization's endowment-related activities for the year ended June 30, 2017:

	Donor-restricted endowment Temporarily restricted	Permanently restricted	Total	Board-designated endowment Unrestricted	Total endow-ment
Endowment net assets at beginning of year	$ 838,507	6,500,000	7,338,507	1,082,151	8,420,658
Grants and contributions	–	1,000,000	1,000,000	–	1,000,000
Investment return	544,145	–	544,145	70,130	614,275
Appropriation of endowment assets for expenditure	–	–	–	(50,000)	(50,000)
Endowment net assets at end of year	$ 1,382,652	7,500,000	8,882,652	1,102,281	9,984,933

At June 30, 2017, endowment assets are held as follows:

	Donor-restricted endowment Temporarily restricted	Permanently restricted	Total	Board-designated endowment Unrestricted	Total endow-ment
Investments *(note 5)*	$ 1,366,914	7,500,000	8,866,914	1,102,281	9,969,195
Cash held by Caldera programs	15,738	–	15,738	–	15,738
	$ 1,382,652	7,500,000	8,882,652	1,102,281	9,984,933

8. Net Assets Released from Restrictions and Other Transfers and Allocations

Net Assets Released from Restrictions

During the year ended June 30, 2017, the organization incurred $421,788 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, 2017, Caldera programs incurred an internal charge of $1,268 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	$	(210,423)
Administrative costs charged to Caldera facilities		88,328
	$	(122,095)

9. 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.

10. Fair Value Measurements

The accompanying financial statements report Caldera's investments at fair value. These assets have been classified, for disclosure purposes, based on a hierarchy defined by FASB ASC No. 820, *Fair Value Measurements and Disclosures*. The 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). Investments valued using the net asset value practical expedient are excluded from the fair value hierarchy,

At June 30, 2017, Caldera's financial assets that are included in the fair value hierarchy consist of investments which are measured at fair value on a recurring basis using quoted prices for identical assets (i.e., Level 1).

At June 30, 2017, investments measured at fair value on a recurring basis were as follows:

		Level 1	Total
Investments included in the fair value hierarchy:			
Equity securities	$	4,398,915	4,398,915
Governmental instruments		2,856,056	2,856,056
Corporate bonds		549,390	549,390
Municipal bonds		393,145	393,145
Real estate investment trusts		120,480	120,480
Total investments included in the fair value hierarchy		8,317,986	8,317,986
Investments measured at net asset value:			
Investments in private equity partnerships [1]		–	1,540,496
Total investments at fair value	$	8,317,986	9,858,482

[1] The fair value of Caldera's investment in private equity partnerships is based on the net asset value of Caldera's ownership interest in the partner's capital, which includes assumptions and methods that are prepared by the general partners of the limited partnerships and were reviewed by Caldera's management.

11. 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, 2017, the organization made contributions to the retirement plan totaling $10,550.

12. Related-Party Transactions and Current Concentration

During the year ended June 30, 2017, contributions from the organization's founder and companies under his control totaled $1,890,888, representing 52% of the year's total revenues, as follows:

Endowment contributions	$ 1,000,000
Operating contributions	999,776
Special events support	47,600
Free use of facilities	104,308
Contributed services	18,655
	$ 2,170,339

Also see note 6 regarding the free use of land.

13. 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, 2017:

Increase in net assets	$ 1,077,401
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation	424,477
Net appreciation in the fair value of investments	(569,649)
Proceeds from contributions restricted for long-term investment	(1,000,000)
Net changes in:	
Grants and contributions receivable	(29,471)
Accounts receivable	9,516
Prepaid expenses and other assets	10,946
Accounts payable and accrued expenses	(2,855)
Deferred revenue	37,654
Total adjustments	(1,119,382)
Net cash used in operating activities	$ (41,981)

■

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017					
		Supporting services				
	Program services	Management and general	Facilities	Fundraising	Total	2016
Salaries and related expenses	$ 671,338	141,334	165,134	365,113	1,342,919	1,292,199
Professional services	88,315	106,835	24,779	14,014	233,943	268,468
Occupancy	62,665	13,192	84,260	34,080	194,197	118,722
Supplies and materials	36,727	19,591	29,883	811	87,012	68,631
Scholarships	26,000	–	–	–	26,000	17,500
Stipends	12,000	–	–	–	12,000	15,036
Postage and shipping	50	1,521	4	35	1,610	2,110
Printing and copying	171	15	–	–	186	3,282
Insurance	–	11,098	64,647	–	75,745	75,197
Telephone	4,851	1,021	23,960	2,638	32,470	31,066
Repairs and maintenance	9,084	1,912	67,083	4,940	83,019	107,317
Travel and transportation	21,029	12,310	531	4,133	38,003	49,483
Meals	43,946	6,299	104	234	50,583	44,350
Meetings and conferences	1,675	19,316	52	1,546	22,589	33,763
Interest	12	–	2	–	14	79
Depreciation	3,873	–	420,604	–	424,477	441,973
Other	6,379	1,036	2,237	8,435	18,087	31,131
Total expenses before allocation of facilities expenses	988,115	335,480	883,280	435,979	2,642,854	2,600,307
Allocation of facilities expenses	883,280	–	(883,280)	–	–	–
Total expenses	$ 1,871,395	335,480	–	435,979	2,642,854	2,600,307

GOVERNING BOARD, ADVISORY COMMITTEES, AND MANAGEMENT

JUNE 30, 2017

Board of Directors

Wes Lawrence, *Board Chair*
Business & Financial Consultant
Black Butte Ranch, Oregon

René Mitchell, *Vice Chair*
Founder
René Mitchell Creative
Bend, 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 Growth Markets
Wieden + Kennedy
London, U.K.

Scott Howard
Founder
Kivel & Howard
Portland, Oregon

John Jay
President of Global Creative
Fast Retailing
Portland, Oregon

Keesha Jean-Baptiste
Senior Vice President,
Talent Engagement and
Inclusion, American Association
of Advertising Agencies
New York, New York

Cristy Lanfri,
Arts, Education &
Environmental Advocate
Bend, Oregon

Barbara McDougall
Children's Advocate
Lake Oswego, Oregon

Dan Wieden
Chair, Global
Management Team
Wieden + Kennedy
Portland, Oregon

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

Wes Lawrence, *Chair*

Dan Wieden, *Founder*

Cristy Lanfri, *Past Chair*

Cindy Campbell *(Finance Committee Co-Chair)*

Dave Chen *(Investment Committee Co-Chair)*

Barbara MacDougall *(Advancement Committee Chair)*

Mary Normand *(Programs Committee Chair)*

Dennis Wilde *(Site and Facilities Committee Chair)*

René Mitchell *(Central Oregon Advisory Committee Co-Chair)*

Brian Detman, *Staff*

Governance Committee

Wes Lawrence, *Chair*

Dan Wieden

Cristy Lanfri, *Past Chair*

René Mitchell

Mary Normand

Bob Woodell

Brian Detman, *Staff*

Finance Committee

Cindy Campbell, *Co-Chair (Finance)*

Dave Chen, Co-Chair (Investments)

Dennis Wilde

Tiffany Vergara, *Staff*

Brian Detman, *Staff*

Advancement Committee

Barbara MacDougall, *Chair*

René Mitchell

Scott Howard

Brian Detman, *Staff*

Natalie Whitlock, *Staff*

Programs Committee

Mary Normand, *Chair*

Karrelle Dixon

Jinnina Chiles

Elizabeth Quinn, *Staff*

Karena Salmond, *Staff*

Maesie Speer, *Staff*

Site and Facilities Committee

Dennis Wilde, *Chair*

Priscilla Bernard Wieden

Paul Spezza

Brian Detman, *Staff*

Maesie Speer, *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

Chuck Newport

Amanda Stuermer

Jody Ward

Mary Anne Woodell

Brian Detman, *Staff*

Management

Brian Detman
Executive Director
(since May 2017)

Tricia Snell
Executive Director
(until May 2017)

Tiffany Vergara
Finance & Operations Director
(since April 2017)

Shelly Haugh
Interim Finance Director
(until June 2017)

Michelle Meyer
Development Director
(until December 2017)

Karena Salmond
Youth Program Director
(since February 2017)

Elizabeth Quinn
Programs Director

Maesie Speer
Arts Center Programs Manager

Elia Unverzagt
Communications Director
(until December 2017)

Olivia Mitchell
Executive Assistant & Office Manager

INQUIRIES AND OTHER INFORMATION

CALDERA

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