GaryMcGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

Caldera

Financial Statements and Other Information
as of and for the Year Ended June 30, 2012
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 statement of financial position of Caldera as of June 30, 2012, and the related statements of activities, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of Caldera's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Caldera's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2012 financial statements referred to above present fairly, in all material respects, the financial position of Caldera as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in the schedules on pages 20 and 21 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

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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.

December 12, 2012

CALDERA

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

	Caldera operations	Caldera facilities	Total
Assets:			
Cash and cash equivalents	$ 263,882	149,199	413,081
Grants and contributions receivable *(note 4)*	170,069	136,009	306,078
Accounts receivable	2,178	–	2,178
Prepaid expenses and other assets	11,190	22,518	33,708
Investments *(notes 5 and 7)*	1,053,035	2,477,525	3,530,560
Property held for sale *(note 6)*	–	3,496	3,496
Property and equipment *(note 6)*	97,262	11,971,788	12,069,050
Total assets	$ 1,597,616	14,760,535	16,358,151
Liabilities:			
Accounts payable and accrued expenses	27,325	45,215	72,540
Deferred revenue	14,642	–	14,642
Note payable *(note 7)*	–	124,296	124,296
Total liabilities	41,967	169,511	211,478
Net assets:			
Unrestricted:			
Available for programs and general operations	160,349	136,511	296,860
Funds designated by the Board *(note 8)*	1,085,371	–	1,085,371
Cumulative endowment losses *(note 8)*	–	(22,475)	(22,475)
Net investment in capital assets	97,262	11,850,988	11,948,250
Total unrestricted	1,342,982	11,965,024	13,308,006
Temporarily restricted *(note 8)*	212,667	126,000	338,667
Permanently restricted *(note 8)*	–	2,500,000	2,500,000
Total net assets	1,555,649	14,591,024	16,146,673
Commitments and contingencies *(notes 6 and 14)*			
Total liabilities and net assets	$ 1,597,616	14,760,535	16,358,151

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

		Caldera operations	Caldera facilities	Total
Changes in unrestricted net assets:				
Operating revenues and gains:				
Contributions and grants *(note 10)*	$	588,581	255,304	843,885
In-kind contributions *(note 9)*		52,001	–	52,001
Special events, net of direct costs of $23,976 *(note 10)*		272,644	–	272,644
Program fees		7,219	32,790	40,009
Operating interest income		378	–	378
Other		2,342	1,488	3,830
Total unrestricted operating revenues and gains		923,165	289,582	1,212,747
Net assets released from restrictions for operating purposes *(note 11)*		185,189	–	185,189
Other transfers and allocations *(note 11)*		(97,000)	97,000	–
Total unrestricted operating revenues, gains, and other support		1,011,354	386,582	1,397,936
Expenses *(note 12)*:				
Program services:				
Youth programs		657,511	313,110	970,621
Adult programs		53,225	552,548	605,773
Total program services		710,736	865,658	1,576,394
Supporting services:				
Management and general		195,110	–	195,110
Fundraising		167,028	–	167,028
Total supporting services		362,138	–	362,138
Total expenses		1,072,874	865,658	1,938,532
Decrease in unrestricted net assets before unrestricted non-operating activities		(61,520)	(479,076)	(540,596)[A]
Unrestricted non-operating activities:				
Investment return *(note 5)*		(35,158)	(16,829)	(51,987)
In-kind capital contributions *(note 9)*		–	57,539	57,539
Loss on disposal of capital assets		–	(304,105)	(304,105)
Impairment loss		–	(16,034)	(16,034)
Net assets released from restrictions for capital purposes *(note 11)*		4,198	138,528	142,726
Total unrestricted non-operating activities		(30,960)	(140,901)	(171,861)
Total change in unrestricted net assets	$	(92,480)	(619,977)	(712,457)

[A] The organization's operating measure includes $540,482 in depreciation expense.

Continued

CALDERA

STATEMENT OF ACTIVITIES, CONTINUED

YEAR ENDED JUNE 30, 2012

	Caldera operations	Caldera facilities	Total
Changes in temporarily restricted net assets:			
Contributions *(note 10)*	$ 131,923	–	131,923
Capital contributions *(note 10)*	107,238	232,888	340,126
Special events *(note 10)*	30,000	–	30,000
Net assets released from restrictions for operating purposes *(note 11)*	(185,189)	–	(185,189)
Net assets released from restrictions for capital purposes *(note 11)*	(4,198)	(138,528)	(142,726)
Increase in temporarily restricted net assets	79,774	94,360	174,134
Changes in permanently restricted net assets:			
Contributions and grants *(note 10)*	–	1,500,000	1,500,000
Increase (decrease) in net assets	(12,706)	974,383	961,677
Net assets at beginning of year	1,568,355	13,616,641	15,184,996
Net assets at end of year	$ 1,555,649	14,591,024	16,146,673

See accompanying notes to financial statements.

CALDERA

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Caldera operations:				
Net assets at beginning of year	$ 1,435,462	132,893	–	1,568,355
Increase (decrease) in net assets	(92,480)	79,774	–	(12,706)
Net assets at end of year	1,342,982	212,667	–	1,555,649
Caldera facilities:				
Net assets at beginning of year	12,585,001	31,640	1,000,000	13,616,641
Increase (decrease) in net assets	(619,977)	94,360	1,500,000	974,383
Net assets at end of year	11,965,024	126,000	2,500,000	14,591,024
Total:				
Net assets at beginning of year	14,020,463	164,533	1,000,000	15,184,996
Increase (decrease) in net assets	(712,457)	174,134	1,500,000	961,677
Net assets at end of year	$ 13,308,006	338,667	2,500,000	16,146,673

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2012

Cash flows from operating activities:	
Cash received from contributors and program participants	$ 1,451,324
Interest income received	37,196
Cash paid to employees and suppliers	(1,331,341)
Interest paid	(5,560)
Net cash provided by operating activities	151,619
Cash flows from investing activities:	
Acquisition of equipment and building improvements	(142,610)
Reinvestment of interest and dividend income	(36,818)
Purchase of investments	(1,500,000)
Net cash used in investing activities	(1,679,428)
Cash flows from financing activities:	
Proceeds from contributions restricted for capital acquisition	340,126
Proceeds from contributions restricted for long-term investment	1,500,000
Principal payments on note payable	(48,202)
Net cash provided by financing activities	1,791,924
Net increase in cash and cash equivalents	264,115
Cash and cash equivalents at beginning of year	148,966
Cash and cash equivalents at end of year	$ 413,081

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

1. Organization

Caldera is a nonprofit arts organization whose mission is to be a catalyst for transformation through innovative art and environmental programming. The organization serves both youth and adults. The youth programs provide year-round, long-term arts education and mentoring for underserved children in Portland and Central Oregon. The adult programs offer residencies to professional artists.

Caldera has a 116-acre facility located 17 miles west of Sisters, Oregon. The site is surrounded by the Deschutes National Forest and sits on the edge of Blue Lake and Suttle Lake. Caldera conducts summer, fall, and spring youth programs and artist residencies within that natural setting and in the Hearth Center, a 20,000 square-foot performance space, with two art studios and a library. The site has five A-frame cabins and 25 teepees that house youth, mentors, and artists.

2. Program Descriptions

During the year ended June 30, 2012, the organization incurred program service expenses in the following major categories:

Youth Programs – Caldera's youth programs have always held the core mission of mentoring at-risk youth through arts and nature experiences. Programmatically, the organization has grown from serving a handful of children at summer camp in 1996, to currently providing approximately 425 students in Portland and Central Oregon, from middle school into college, with long-term, year-round, consistent weekly mentoring and arts training. In addition, Caldera has extended arts enrichment services to nearly 5,000 students each year at 10 Portland and Central Oregon schools.

Adult Programs – Caldera's artist residency program began in 2001 and has grown from a regional program to an international program. The residencies are held at the Central Oregon facility during January, February, and March. Artists are awarded one-month residencies through a juried selection process. The residencies are for the development, creation, and sharing of their work. The artists have exclusive use of the Hearth Center and its related facilities and are housed in the A-frame cabins. They interact with the Central Oregon community by holding "open studio sessions" about their work, free and open to the public. Caldera believes in creative experimentation, viewing the residency program as a "research and development" laboratory of the arts.

3. Summary of Significant Accounting Policies

The significant accounting policies followed by the organization 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 $865,658 during the year ended June 30, 2012, have been allocated among the programs benefited based on the number of days of program use. Caldera operations incur a charge for the use of facilities based on a rate of $1,000 per day. See note 11.

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.

Cash and 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, 2012, cash equivalents represent $301,823 invested in money market funds.

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 $20,264 during the year ended June 30, 2012. 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 5 to 7 years for vehicles, furniture, and equipment. Artwork is not depreciated.

Property Held for Sale – Property held for sale is carried at the lower of cost or fair value.

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.

During the year ended June 30, 2012, the organization recorded a $16,034 impairment charge against property held for sale.

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.

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 and the net change in carrying value of perpetual trusts.

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, 2012, the Board of Directors elected not to make an appropriation of endowment assets. See note 8.

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.

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

All interest bearing checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC for up to $250,000 per depositor, per insured bank, for each account ownership category. In addition, Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides depositors with temporary unlimited coverage for noninterest-bearing transaction accounts. This unlimited protection became effective on June 30, 2011 and terminates on December 31, 2012.

Certain receivables may also, from time to time, subject Caldera to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, Caldera's management evaluates the financial condition of its customers and donors, and monitors concentrations of credit risk arising from similar geo graphic 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. In addition, Caldera has been recognized as a public charity under Sections 170(b)(1)(a)(vi) and 509(a)(1) of the Internal Revenue Code. Contributions to Caldera qualify for applicable charitable contribution deductions. For tax purposes, Caldera's open audit periods are for the years ended December 31, 2009 through 2011.

Caldera has adopted the recognition requirements for uncertain income tax positions as required by FASB ASC No. 740-10, *Income Taxes*. Under this standard, income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities.

Subsequent Events – As required by FASB ASC No. 855, *Subsequent Events,* subsequent events have been evaluated by management through December 12, 2012, which is the date the financial statements were available to be issued.

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

4. Grants and Contributions Receivable

Grants and contributions at June 30, 2012 consist of outstanding donations promised to the organization totaling $306,078, and are expected to be collected in less than one year.

5. Investments and Investment Return

Investments are carried at fair value, and consist of the following at June 30, 2012:

Fixed income bond funds:		
Long-term	$	414,522
Intermediate-term		394,235
Short-term		334,808
World		260,573
Emerging markets		157,740
Other sectors		48,787
		1,610,665
Equity mutual funds:		
Large-cap		586,994
Mid-cap		307,729
World		219,445
Small-cap		77,052
International		63,919
Emerging markets		31,780
		1,286,919
Convertible mutual funds		84,381
		2,981,965
Money market funds		548,595
	$	3,530,560

Total investment return for the year ended June 30, 2012 is summarized as follows:

Interest and dividend income	$	36,818
Net decline in the fair value of investments		(88,805)
	$	(51,987)

6. Property and Equipment

A summary of property and equipment at June 30, 2012 is as follows:

Buildings and related improvements	$ 14,181,956
Furniture and equipment	838,508
Vehicles	186,482
Artwork	57,539
Construction in progress	37,407
	15,301,892
Less accumulated depreciation	(3,232,842)
	$ 12,069,050

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. Upon expiration or early termination of the ground lease, the landlord shall pay 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. Because the value of this in-kind contribution is unknown, the present value of the lease commitment has not been included in the accompanying financial statements as an in-kind contribution.

Improvements made to these properties by the organization have been capitalized and are carried on the organization's statement of financial position.

In addition, the organization held property for sale (not included in the above table) carried at $3,496 at June 30, 2012. During the year ended June 30, 2012, $34,470 in property previously held for sale was placed into service and is included in the above table.

7. Note Payable

In November of 2010, Caldera entered into a loan agreement with KeyBank in the amount of $200,000 for site repairs. The note bears interest at a fixed rate of 3.73% and requires monthly, consecutive principal and interest payments of $4,493 through November of 2014. The note is secured by one of the organization's investment accounts held at KeyBank (with a balance of $1,053,035 at June 30, 2012). At June 30, 2012, $124,296 was outstanding under the note. Interest paid during the year ended June 30, 2012 totaled $5,560.

Maturities of note principal for the years subsequent to June 30, 2012 are as follows:

Years ending June 30,		
2013	$	50,071
2014		51,998
2015		22,227
	$	124,296

8. Restrictions and Limitations on Net Asset Balances

Board-Designated Net Assets

As of June 30, 2012, the Board of Directors had designated $1,085,371 in unrestricted net assets as follows:

Quasi-endowment	$	1,053,035
Operational reserve		32,336
	$	1,085,371

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2012 totaled $348,334 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:

Capital acquisition - facilities	$	126,000
Capital acquisition - operations		103,040
Youth programs		44,174
Scholarships and interns		25,453
Artists in Residence		10,000
Future periods		30,000
	$	338,667

Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2012 totaled $2,500,000 and consisted of gifts to establish a facilities endowment fund.

Cumulative Endowment Adjustment

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. As of June 30, 2012, the organization had incurred cumulative investment losses and/or Board appropriations of endowment assets totaling $22,475 in excess of unappropriated accumulated endowment earnings. Accordingly, in order to report the losses as required by FASB ASC No. 958-320, *Investments – Debt and Equity Securities*, the excess losses and appropriations have been classified as transactions of the unrestricted net asset class and will be reinstated out of future endowment earnings.

The following summarizes the organization's endowment-related activities for the year ended June 30, 2012:

		Donor-restricted endowment			Board-designated endowment	Total endow-ment
		Unrestricted	Permanently restricted	Total		
Endowment net assets at beginning of year	$	(5,646)	1,000,000	994,354	1,088,193	2,082,547
Grants and contributions		–	1,500,000	1,500,000	–	1,500,000
Investment return		(16,829)	–	(16,829)	(35,158)	(51,987)
Endowment net assets at end of year	$	(22,475)	2,500,000	2,477,525	1,053,035	3,530,560

9. 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 nonfinancial 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, 2012, the organization recorded the following in-kind contributions:

For operating purposes:		
Free use of facilities	$	36,050
Goods and other materials		9,951
Contributed services		6,000
		52,001
For non-operating purposes:		
Artwork		57,539
		109,540
For special events		7,819
	$	117,359

See note 6 for discussion of the in-kind use of the land located at Caldera.

10. Contributions and Grants

The following summarizes the contributions and grants recorded in all categories during the year ended June 30, 2012 (excluding in-kind contributions):

Board members and related entities	$ 1,916,132
Other foundations	282,097
Other individuals	200,273
Corporations	582,802
Government	159,250
Universities	2,000
	$ 3,142,554

The $3,143,236 in total contributions and grants is reported in the statement activities as follows:

Unrestricted operating and program support	$ 843,885
Temporarily restricted operating and program support	131,923
Special event gross revenues	326,620
Capital contributions	340,126
Endowment gifts	1,500,000
	$ 3,142,554

11. Net Assets Released from Restrictions and Other Allocations

Net Assets Released from Restrictions

During the year ended June 30, 2012, the organization incurred $327,915 in expenses in satisfaction of the restricted purposes specified by the donors, or by occurrence of other events specified by donors, as follows:

Program support	$ 185,189
Capital acquisitions	142,726
	$ 327,915

Other Transfers and Allocations

During the year ended June 30, 2012, Caldera operations incurred an internal charge of $1,000 per day for use of program facilities. In addition, Caldera facilities incurred an administrative management fee of 10.0% of gross facility expenses, excluding depreciation. These charges are presented in the statement of activities, as follows:

Facility usage charged to Caldera operations	$ (135,000)
Administrative costs charged to Caldera facilities	38,000
	$ (97,000)

12. 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.

13. 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, 2012, Caldera's investments (see note 5) are measured at fair value on a recurring basis using quoted prices in active markets for identical assets (i.e., Level 1).

14. 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, 2012, the organization made contributions to the retirement plan totaling $5,600.

15. 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 provided by operating activities (as reported on the statement of cash flows) for the year ended June 30, 2012:

Increase in net assets	$	961,677
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation		540,482
Net decline in the fair value of investments		88,805
Proceeds from contributions restricted for capital acquisition		(340,126)
Proceeds from contributions restricted for long-term investment		(1,500,000)
Loss on disposal of capital assets		304,105
Impairment loss		16,034
In-kind contribution of capital assets		(57,539)
Net changes in:		
Contributions and grants receivable		114,422
Accounts receivable		(1,079)
Prepaid expenses and other assets		(13,121)
Accounts payable and accrued expenses		38,426
Deferred revenue		(467)
Total adjustments		(810,058)
Net cash provided by operating activities	$	151,619

■

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2012

		Program services			Management
		Youth programs	Adult programs	Total	and general
Salaries and related expenses	$	444,684	20,720	465,404	138,094
Professional services		60,326	16,330	76,656	17,399
Occupancy		14,671	2,263	16,934	21,601
Supplies and materials		14,067	310	14,377	1,005
Postage		948	657	1,605	1,618
Printing and copying		1,096	263	1,359	319
Insurance		1,527	269	1,796	2,652
Telephone		744	211	955	9
Repairs and maintenance		6,472	77	6,549	753
Travel and transportation		14,362	2,052	16,414	157
Meals and entertainment		29,047	8,082	37,129	658
Meetings and conferences		6,884	836	7,720	8,229
Interest		–	–	–	–
Depreciation		60,132	28	60,160	278
Other		2,551	1,127	3,678	2,338
Total expenses before allocation of facilities expenses		657,511	53,225	710,736	195,110
Allocation of facilities expenses		313,110	552,548	865,658	–
Total expenses	$	970,621	605,773	1,576,394	195,110

Supporting services			
Facilities	Fundraising	Total	Total
138,118	139,693	415,905	881,309
14,129	18,054	49,582	126,238
117,736	–	139,337	156,271
15,622	250	16,877	31,254
457	–	2,075	3,680
167	398	884	2,243
56,389	415	59,456	61,252
20,480	–	20,489	21,444
12,739	373	13,865	20,414
996	1,973	3,126	19,540
1,467	233	2,358	39,487
314	536	9,079	16,799
5,560	–	5,560	5,560
478,843	1,201	480,322	540,482
2,641	3,902	8,881	12,559
865,658	167,028	1,227,796	1,938,532
(865,658)	–	(865,658)	–
–	167,028	362,138	1,938,532

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Tricia Snell
Executive Director

David Nolfi
Director of Finance

Michelle Meyer
Development Director

Bill Spezza
Facility Director

Turiya Autry
Education Director

INQUIRIES AND OTHER INFORMATION

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