GaryMcGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

Caldera

Financial Statements and Other Information
as of and for the Six-Month Period Ended June 30, 2011
and Report of Independent Accountants

TABLE OF CONTENTS

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, 2011, and the related statements of activities and cash flows for the six-month period 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 2011 financial statements referred to above present fairly, in all material respects, the financial position of Caldera as of June 30, 2011, and the changes in its net assets and its cash flows for the six-month period 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 schedule 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 taken as a whole.

Gary McGee & Co. LLP

November 22, 2011

808 SW Third Avenue, Suite 700 Portland, Oregon 97204 p: 503 222 2515 f: 503 222 6401 www.garymcgee.com

CALDERA

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

Assets:	
Cash and cash equivalents	$ 148,966
Grants and contributions receivable *(note 4)*	420,500
Accounts receivable	1,099
Prepaid expenses and other assets	20,587
Investments *(notes 5, 7, and 8)*	2,082,547
Property held for sale *(note 6)*	54,000
Property and equipment *(note 6)*	12,679,018
Total assets	$ 15,406,717
Liabilities:	
Accounts payable and accrued expenses	34,114
Deferred revenue	15,109
Note payable *(note 7)*	172,498
Total liabilities	221,721
Net assets:	
Unrestricted:	
Available for programs and general operations	345,060
Funds designated by the Board *(note 9)*	1,120,529
Cumulative endowment losses *(note 9)*	(5,646)
Net investment in capital assets	12,560,520
Total unrestricted	14,020,463
Temporarily restricted *(note 9)*	164,533
Permanently restricted *(note 9)*	1,000,000
Total net assets	15,184,996
Commitments and contingencies *(notes 6, 8, and 15)*	
Total liabilities and net assets	$ 15,406,717

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES

SIX–MONTH PERIOD ENDED JUNE 30, 2011

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues, gains, and other support:				
Contributions and grants *(note 11)*	$ 483,656	90,920	–	574,576
In-kind contributions *(note 10)*	29,460	–	–	29,460
Program fees	2,700	–	–	2,700
Operating interest income	466	–	–	466
Total operating revenues and gains	516,282	90,920	–	607,202
Net assets released from restrictions for operating purposes *(note 12)*	175,700	(175,700)	–	–
Total operating revenues, gains, and other support	691,982	(84,780)	–	607,202
Expenses *(note 13)***:**				
Program services:				
Youth programs	549,682	–	–	549,682
Adult programs	215,201	–	–	215,201
Total program services	764,883	–	–	764,883
Supporting services:				
Management and general	101,389	–	–	101,389
Fundraising	77,878	–	–	77,878
Total supporting services	179,267	–	–	179,267
Total expenses	944,150	–	–	944,150
Decrease in net assets before non-operating activities	$ (252,168) [A]	(84,780)	–	(336,948)

[A] The organization's operating measure includes $250,026 in depreciation expense.

Continued

STATEMENT OF ACTIVITIES, CONTINUED

SIX–MONTH PERIOD ENDED JUNE 30, 2011

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Non-operating activities:				
Endowment gifts *(note 11)*	$ –	–	500,000	500,000
Capital contributions *(note 11)*	–	860,416	–	860,416
In-kind capital contributions *(note 10)*	3,840	–	–	3,840
Investment return	31,415	–	–	31,415
Net assets released from restrictions for capital purposes *(note 12)*	899,326	(899,326)	–	–
Total non-operating activities	934,581	(38,910)	500,000	1,395,671
Increase (decrease) in net assets	682,413	(123,690)	500,000	1,058,723
Net assets at beginning of period	13,338,050	288,223	500,000	14,126,273
Net assets at end of period	$ 14,020,463	164,533	1,000,000	15,184,996

See accompanying notes to financial statements.

CALDERA

STATEMENT OF CASH FLOWS

SIX–MONTH PERIOD ENDED JUNE 30, 2011

Cash flows from operating activities:	
Cash received from contributors and program participants	$ 423,576
Interest income received	6,506
Cash paid to employees and suppliers	(683,960)
Net cash used in operating activities	(253,878)
Cash flows from investing activities:	
Acquisition of equipment and building improvements	(954,370)
Reinvestment of interest and dividend income	(5,615)
Purchase of investments	(1,000,425)
Net cash used in investing activities	(1,960,410)
Cash flows from financing activities:	
Proceeds from contributions restricted for capital acquisition	860,416
Proceeds from contributions restricted for long-term investment	500,000
Principal payments on note payable	(23,445)
Net cash provided by financing activities	1,336,971
Net decrease in cash and cash equivalents	(877,317)
Cash and cash equivalents at beginning of period	1,026,283
Cash and cash equivalents at end of period	$ 148,966

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

SIX–MONTH PERIOD ENDED JUNE 30, 2011

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.

Change in Fiscal Year

During the six-month period ended June 30, 2011, the organization changed its fiscal year from a twelve-month period ending December 31 to a twelve-month period ending June 30. As a result, the accompanying financial statements present the organization's financial position as of June 30, 2011 and the changes in its net assets and cash flows for the six-month period ended June 30, 2011. Comparative financial information for prior periods is not presented.

2. Program Descriptions

During the six-month period ended June 30, 2011, 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 370 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 5,100 students each year at ten 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.

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, 2011, cash equivalents represent $118,808 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. 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 at market 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.

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.

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 endowment gifts, contributions restricted for capital investment, the in-kind contribution of capital assets, the gain or loss on the sale of capital assets, 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.

Depreciation of capital assets is allocated to operating programs and supporting activities based on benefit estimates prepared by management.

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 six-month period ended June 30, 2011, the Board of Directors elected not to make an appropriation of endowment assets. See note 9.

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 geographic regions, activities, or economic characteristics. When necessary, receivables are reported net of an allowance for uncollectible accounts.

Income Taxes – The organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. In addition, the organization 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 the organization qualify for applicable charitable contribution deductions. For tax purposes, the organization's open audit periods are for the years ended December 31, 2008 through 2010.

The organization has adopted the recognition requirements for uncertain income tax positions as required by FASB ASC No. 740-10. 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 November 22, 2011, 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, 2011 consist of outstanding donations promised to the organization totaling $420,500, expected to be collected in less than one year.

5. Investments

Investments are carried at fair value, and consist of the following at June 30, 2011:

Fixed income mutual funds:	
World bond funds	$ 262,826
Intermediate-term bond funds	178,069
Short-term bond funds	238,761
Long-term bond funds	225,787
Other sector bond funds	61,671
	967,114
Equity mutual funds:	
Large-cap mutual funds	304,955
International mutual funds	286,978
Mid-cap mutual funds	192,483
Emerging market funds	139,763
Small-cap mutual funds	56,026
	980,205
Convertible mutual funds	49,907
	1,997,226
Money market funds	85,321
	$ 2,082,547

6. Property and Equipment

A summary of property and equipment at June 30, 2011 is as follows:

Buildings and related improvements	$ 14,350,582
Vehicles	196,712
Furniture and equipment	805,384
Construction in progress	52,248
	15,404,926
Less accumulated depreciation	(2,725,908)
	$ 12,679,018

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 $54,000 at June 30, 2011.

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 $1,088,193 at June 30, 2011). At June 30, 2011, $172,498 was outstanding under the note. Interest paid during the six-month period ended June 30, 2011 totaled $3,418.

Continued

Maturities of note principal for the years subsequent to June 30, 2011 are as follows:

Years ending June 30,		
2012	$	48,202
2013		50,071
2014		51,998
2015		22,227
	$	172,498

8. Line of Credit

The organization holds a secured line of credit in the amount of $100,000. Interest is based on the prime rate as published in the *Wall Street Journal* minus 0.25%. At June 30, 2011, the prime rate was 3.25%. The line of credit is secured by one of the organization's investment accounts held at KeyBank (with a balance of $1,088,193 at June 30, 2011). Caldera has not drawn upon any funds under this agreement as of June 30, 2011.

9. Restrictions and Limitations on Net Asset Balances

Board-Designated Net Assets

As of June 30, 2011, the Board of Directors had designated $1,120,529 in unrestricted net assets as follows:

Quasi-endowment	$	1,088,193
Operational reserve		32,336
	$	1,120,529

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2011 totaled $109,163 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:

Future periods	$	55,370
Youth programs		39,600
Capital acquisition		34,101
Artists in Residence		30,000
Scholarships and interns		5,462
	$	164,533

Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2011 totaled $1,000,000 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, 2011, the organization had incurred cumulative investment losses and/or Board appropriations of endowment assets totaling $5,646 in excess of unappropriated accumulated endowment earnings. Accordingly, in order to report the loses 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 six-month period ended June 30, 2011:

		Donor-restricted endowment			Board-	Total
		Unrestricted	Permanently restricted	Total	designated endowment	endow-ment
Endowment net assets at beginning of period	$	–	500,000	500,000	1,051,132	1,551,132
Grants and contributions		–	500,000	500,000	–	500,000
Investment return		(5,646)	–	(5,646)	37,061	31,415
Endowment net assets at end of period	$	(5,646)	1,000,000	994,354	1,088,193	2,082,547

10. 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 six-month period ended June 30, 2011, the organization recorded the following in-kind contributions:

For operating purposes:		
Goods and other materials	$	15,260
Free use of facilities		11,200
Contributed services		3,000
		29,460
For non-operating purposes:		
Capital assets		3,840
	$	33,300

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

11. Contributions and Grants

The following summarizes the contributions and grants recorded in all categories during the six-month period ended June 30, 2011 (excluding in-kind contributions):

Board members and related entities	$ 1,715,610
Other foundations	133,140
Other individuals	50,931
Corporations	33,650
Government	1,661
	$ 1,934,992

The $1,934,992 in total contributions and grants is reported in the statement activities as follows:

Operating and program support	$ 574,576
Non-operating purposes:	
Capital contributions	860,416
Endowment gifts	500,000
	$ 1,934,992

12. Net Assets Released from Restrictions

During the six-month period ended June 30, 2011, the organization incurred $1,075,026 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	$ 175,700
Capital acquisitions	899,326
	$ 1,075,026

13. 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. Expenses by natural classification are presented in the schedule of functional expenses.

14. 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, 2011, 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).

15. 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 six-month period ended June 30, 2011, the organization made contributions to the retirement plan totaling $2,850.

16. 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 six-month period ended June 30, 2011:

Increase in net assets	$ 1,058,723
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation	250,026
Net appreciation in the fair value of investments	(25,375)
Proceeds from contributions restricted for capital acquisition	(860,416)
Proceeds from contributions restricted for long-term investment	(500,000)
In-kind contribution of capital assets	(3,840)
Net changes in:	
Contributions and grants receivable	(171,550)
Accounts receivable	(1,099)
Prepaid expenses and other assets	(4,575)
Accounts payable and accrued expenses	(10,881)
Deferred revenue	15,109
Total adjustments	(1,312,601)
Net cash used in operating activities	$ (253,878)

■

C A L D E R A

SCHEDULE OF FUNCTIONAL EXPENSES

S I X - M O N T H P E R I O D E N D E D J U N E 3 0 , 2 0 1 1

		Program services			Management
		Youth programs	Adult programs	Total	and general
Salaries and related expenses	$	149,175	23,323	172,498	55,985
Artist fees		31,146	701	31,847	–
Professional services		14,946	7,544	22,490	15,331
Occupancy		–	–	–	11,200
Office supplies and materials		22,328	2,995	25,323	8,661
Insurance		–	–	–	2,532
Telephone		–	–	–	3,000
Repairs and maintenance		–	1,888	1,888	–
Travel and transportation		5,079	2,379	7,458	265
Meals and food supplies		6,563	13,021	19,584	–
Art supplies and materials		11,503	–	11,503	–
Interest		–	–	–	–
Depreciation		36,630	–	36,630	27
Other		2,958	2,962	5,920	4,388
Total expenses before allocation of facilities expenses		280,328	54,813	335,141	101,389
Allocation of facilities expenses		269,354	160,388	429,742	–
Total expenses	$	549,682	215,201	764,883	101,389

Supporting services			
Facilities	**Fundraising**	**Total**	**Total**
79,570	68,418	203,973	376,471
–	–	–	31,847
600	5,018	20,949	43,439
37,109	–	48,309	48,309
4,436	274	13,371	38,694
28,000	–	30,532	30,532
8,480	–	11,480	11,480
52,732	–	52,732	54,620
935	996	2,196	9,654
–	–	–	19,584
–	–	–	11,503
3,418	–	3,418	3,418
212,859	510	213,396	250,026
1,603	2,662	8,653	14,573
429,742	77,878	609,009	944,150
(429,742)	–	(429,742)	–
–	77,878	179,267	944,150

GOVERNING BOARD, ADVISORY COMMITTEES, AND MANAGEMENT

Central Oregon Advisory Committee

René Mitchell, *Chair*
Pamela Hulse Andrews
Judy Campbell
Kathy Deggendorfer
Paul Evers
Wendie Every
Polly Gervais
Jenny Green
Sue Hollern
Cristy Lanfri
Chuck Newport
Cate O'Hagan
Amanda Stuermer
Jody Ward
Fran Willis

Youth Development Committee

Howard Sharpio, *Chair*
Turiya Autry
Cristy Lanfri
Barbara MacDougal
Michelle Meyer
Mary Normand
Tricia Snell
Nancy Wilgenbusch

Transformation Camp Planning Committee

Dan Wieden, *Chair*
David Chen
Dan Heagerty
John Jay
Chris Riley
Tricia Snell

Artist in Residence Development Committee

John Jay, *Chair*
René Mitchell
Michelle Meyer
Howard Sharpio
Tricia Snell
Katie Weinstein

Facility Committee

Dan Heagerty, *Chair*
Chuck Newport
David Nolfi
Bill Spezza
Paul Spezza
Dennis Wilde

Management

Tricia Snell
Executive Director

David Nolfi
Director of Finance

INQUIRIES AND OTHER INFORMATION

CALDERA
Administrative Offices
224 N.W. 13th Avenue, Suite 304
Portland, Oregon 97209

(503) 937-7594
(503) 937-8594 Fax

Blue Lake Site
31500 Blue Lake Drive
Sisters, Oregon 97759

(541) 595-0956

Web site
www.calderaarts.org