GaryMcGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

Caldera

Financial Statements and Other Information
as of and for the Year Ended June 30, 2013
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 financial statements of Caldera, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, changes in net assets, 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, 2013, 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.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 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 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 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

December 4, 2013

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

(WITH COMPARATIVE AMOUNTS FOR 2012)

	2013			
	Caldera operations	Caldera facilities	Total	2012
Assets:				
Cash and cash equivalents	$ 356,836	135,069	491,905	413,081
Grants and contributions receivable *(note 4)*	101,473	150,983	252,456	306,078
Accounts receivable	2,920	280	3,200	2,178
Prepaid expenses and other assets	20,739	20,222	40,961	33,708
Investments *(notes 5 and 13)*	1,160,260	3,738,240	4,898,500	3,530,560
Property held for sale *(note 6)*	–	3,496	3,496	3,496
Property and equipment *(note 6)*	68,559	11,815,859	11,884,418	12,069,050
Total assets	1,710,787	15,864,149	17,574,936	16,358,151
Liabilities:				
Accounts payable and accrued expenses	36,598	32,905	69,503	72,540
Construction payable	–	48,882	48,882	–
Deferred revenue	5,805	9,876	15,681	14,642
Note payable *(note 7)*	–	74,225	74,225	124,296
Total liabilities	42,403	165,888	208,291	211,478
Net assets:				
Unrestricted:				
Available for programs and general operations	64,362	182,426	246,788	296,860
Funds designated by the Board *(note 8)*	1,192,596	–	1,192,596	1,085,371
Cumulative endowment losses	–	–	–	(22,475)
Net investment in capital assets	68,559	11,745,130	11,813,689	11,948,250
Total unrestricted	1,325,517	11,927,556	13,253,073	13,308,006
Temporarily restricted *(note 8)*	342,867	270,705	613,572	338,667
Permanently restricted *(note 8)*	–	3,500,000	3,500,000	2,500,000
Total net assets	1,668,384	15,698,261	17,366,645	16,146,673
Commitments and contingencies *(notes 7 and 14)*				
Total liabilities and net assets	$ 1,710,787	15,864,149	17,574,936	16,358,151

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR 2012)

	2013			
	Caldera operations	Caldera facilities	Total	2012
Changes in unrestricted net assets:				
Operating revenues and gains:				
Contributions and grants (*note 10*)	$ 485,327	222,000	707,327	843,885
In-kind contributions (*note 9*)	77,938	–	77,938	52,001
Special events, net of direct costs of $69,373 in 2013 and $23,976 in 2012 (*note 10*)	241,569	–	241,569	272,644
Program fees	16,600	50,660	67,260	40,009
Operating interest income	929	–	929	378
Other	4,532	5,946	10,478	3,830
Total unrestricted operating revenues and gains	826,895	278,606	1,105,501	1,212,747
Net assets released from restrictions for operating purposes (*note 11*)	290,110	170,796	460,906	185,189
Other transfers and allocations (*note 11*)	(96,000)	96,000	–	–
Total unrestricted operating revenues, gains, and other support	1,021,005	545,402	1,566,407	1,397,936
Expenses (*note 12*)**:**				
Program services:				
Youth programs	688,708	239,702	928,410	970,621
Adult programs	89,218	682,227	771,445	605,773
Total program services	777,926	921,929	1,699,855	1,576,394
Supporting services:				
Management and general	203,162	–	203,162	195,110
Fundraising	177,319	–	177,319	167,028
Total supporting services	380,481	–	380,481	362,138
Total expenses	1,158,407	921,929	2,080,336	1,938,532
Decrease in unrestricted net assets before unrestricted non-operating activities	(137,402)	(376,527)	(513,929) [A]	(540,596)
Unrestricted non-operating activities:				
Investment return (*note 5*)	107,225	22,475	129,700	(51,987)
In-kind capital contributions	–	–	–	57,539
Loss on disposal of capital assets	–	(11,640)	(11,640)	(304,105)
Impairment loss	–	–	–	(16,034)
Net assets released from restrictions for capital purposes (*note 11*)	12,712	328,224	340,936	142,726
Total unrestricted non-operating activities	119,937	339,059	458,996	(171,861)
Total change in unrestricted net assets	$ (17,465)	(37,468)	(54,933)	(712,457)

[A] The organization's operating measure includes $513,929 in depreciation expense.

Continued

STATEMENT OF ACTIVITIES, CONTINUED

YEAR ENDED JUNE 30, 2013

(WITH COMPARATIVE TOTALS FOR 2012)

	2013			
	Caldera operations	Caldera facilities	Total	2012
Changes in temporarily restricted net assets:				
Operating contributions *(note 10)*	$ 397,922	105,883	503,805	131,923
Capital contributions *(note 10)*	–	325,602	325,602	340,126
Special events *(note 10)*	9,100	–	9,100	30,000
Investment return *(note 5)*	–	238,240	238,240	–
Other transfer *(note 11)*	26,000	(26,000)	–	–
Net assets released from restrictions for operating purposes *(note 11)*	(290,110)	(170,796)	(460,906)	(185,189)
Net assets released from restrictions for capital purposes *(note 11)*	(12,712)	(328,224)	(340,936)	(142,726)
Increase in temporarily restricted net assets	130,200	144,705	274,905	174,134
Changes in permanently restricted net assets:				
Endowment gifts *(note 10)*	–	1,000,000	1,000,000	1,500,000
Increase in net assets	112,735	1,107,237	1,219,972	961,677
Net assets at beginning of year	1,555,649	14,591,024	16,146,673	15,184,996
Net assets at end of year	$ 1,668,384	15,698,261	17,366,645	16,146,673

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2013

(WITH COMPARATIVE TOTALS FOR 2012)

	2013				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	2012
Caldera operations:					
Net assets at beginning of year	$ 1,342,982	212,667	–	1,555,649	1,568,355
Increase (decrease) in net assets	(17,465)	130,200	–	112,735	(12,706)
Net assets at end of year	1,325,517	342,867	–	1,668,384	1,555,649
Caldera facilities:					
Net assets at beginning of year	11,965,024	126,000	2,500,000	14,591,024	13,616,641
Increase (decrease) in net assets	(37,468)	144,705	1,000,000	1,107,237	974,383
Net assets at end of year	11,927,556	270,705	3,500,000	15,698,261	14,591,024
Total:					
Net assets at beginning of year	13,308,006	338,667	2,500,000	16,146,673	15,184,996
Increase (decrease) in net assets	(54,933)	274,905	1,000,000	1,219,972	961,677
Net assets at end of year	$ 13,253,073	613,572	3,500,000	17,366,645	16,146,673

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR 2012)

	2013	2012
Cash flows from operating activities:		
Cash received from contributors and program participants	$ 1,703,194	1,451,324
Interest income received	53,841	37,196
Cash paid to employees and suppliers	(1,559,990)	(1,331,341)
Interest paid	(3,685)	(5,560)
Net cash provided by operating activities	193,360	151,619
Cash flows from investing activities:		
Acquisition of equipment and building improvements	(292,055)	(142,610)
Reinvestment of interest and dividend income	(52,912)	(36,818)
Purchase of investments	(1,000,000)	(1,500,000)
Net cash used in investing activities	(1,344,967)	(1,679,428)
Cash flows from financing activities:		
Proceeds from contributions restricted for capital acquisition	280,502	340,126
Proceeds from contributions restricted for long-term investment	1,000,000	1,500,000
Principal payments on note payable	(50,071)	(48,202)
Net cash provided by financing activities	1,230,431	1,791,924
Net increase in cash and cash equivalents	78,824	264,115
Cash and cash equivalents at beginning of year	413,081	148,966
Cash and cash equivalents at end of year	$ 491,905	413,081

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

1. Organization

A nonprofit arts organization, Caldera's 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 under-served 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, 2013, Caldera 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 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 $921,929 during the year ended June 30, 2013, 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, 2013, cash equivalents represent $343,143 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 $31,390 during the year ended June 30, 2013. Security transactions are recorded on a trade-date basis.

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

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

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. As of June 30, 2013, 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, 2013.

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, 2013, 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.

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

All 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. Prior to January 1, 2013, Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act provided depositors with unlimited coverage for noninterest-bearing transaction accounts. This unlimited protection for noninterest-bearing transaction accounts expired on December 31, 2012, and, beginning January 1, 2013, all accounts at an insured depository institution, including noninterest-bearing transaction accounts, are insured by the FDIC up to $250,000 per depositor, per insured bank, for each deposit insurance 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. 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, 2010 through June 30, 2012.

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 4, 2013, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2012 – The accompanying financial information as of and for the year ended June 30, 2012 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.

4. Grants and Contributions Receivable

Grants and contributions receivable at June 30, 2013 represent unconditional promised to give totaling $252,456, 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, 2013:

Fixed income bond funds:		
Intermediate-term	$	930,126
Long-term		396,928
World		150,772
Emerging markets		128,807
Other sectors		208,862
		1,815,495
Equity mutual funds:		
Large-cap		1,226,817
Real estate		243,295
Emerging markets		209,430
Mid-cap		381,536
World		161,628
International		120,481
Other sectors		252,524
		2,595,711
Convertible mutual funds		242,215
		4,653,421
Money market funds		245,079
	$	4,898,500

Total investment return for the year ended June 30, 2013 is summarized as follows:

Interest and dividend income	$	52,912
Net appreciation in the fair value of investments		315,028
	$	367,940

Total investment return for the year ended June 30, 2013 is presented in the statement of activities as follows:

Unrestricted	$	129,700
Temporarily restricted		238,240
	$	367,940

6. Property and Equipment

A summary of property and equipment at June 30, 2013 is as follows:

Buildings and related improvements	$ 14,188,777
Furniture and equipment	851,220
Vehicles	186,482
Artwork	57,539
Construction in progress	338,368
	15,622,386
Less accumulated depreciation	(3,737,968)
	$ 11,884,418

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

Caldera is not required to make any rental payments. 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.

In addition, the organization held property for sale (not included in the above table) is carried at $3,496 at June 30, 2013.

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 $1,160,260 at June 30, 2013). At June 30, 2013, $74,225 was outstanding under the note. Interest paid during the year ended June 30, 2013 totaled $3,685.

Maturities of note principal for the years subsequent to June 30, 2013 are as follows:

Years ending June 30,		
2014	$	51,998
2015		22,227
	$	74,225

8. Restrictions and Limitations on Net Asset Balances

Board-Designated Net Assets

As of June 30, 2013, the Board of Directors had designated $1,192,596 in unrestricted net assets as follows:

Quasi-endowment	$	1,160,260
Operational reserve		32,336
	$	1,192,596

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2013 totaled $613,572 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	$	32,465
Capital acquisition – operations		77,813
Youth programs		48,500
Scholarships		23,454
Artists in Residence		15,000
Future periods		178,100
Unappropriated endowment return restricted to facilities		238,240
	$	613,572

Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2013 totaled $3,500,000 and consisted of gifts to establish a facilities endowment fund.

The following summarizes the organization's endowment-related activities for the year ended June 30, 2013:

		Donor-restricted endowment				
	Unrestricted	Temporarily unrestricted	Permanently restricted	Total	Board-designated endowment	Total endowment
Endowment net assets at beginning of year	$ (22,475)	–	2,500,000	2,477,525	1,053,035	3,530,560
Grants and contributions	–	–	1,000,000	1,000,000	–	1,000,000
Investment return	22,475	238,240	–	260,715	107,225	367,940
Endowment net assets at end of year	$ –	238,240	3,500,000	3,738,240	1,160,260	4,898,500

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 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, 2013, the organization recorded the following in-kind contributions:

For operating purposes:	
Free use of facilities	$ 56,188
Goods and other materials	15,750
Contributed services	6,000
	77,938
For special events	4,457
	$ 82,395

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, 2013 (excluding in-kind contributions):

Board members and related entities	$ 2,283,672
Other foundations	155,450
Other individuals	284,202
Corporations	93,378
Government	30,617
Universities	5,000
	$ 2,852,319

The $2,852,319 in total contributions and grants is reported in the statement activities as follows:

Unrestricted operating and program support	$ 707,327
Temporarily restricted operating and program support	503,805
Special event gross revenues	315,585
Capital contributions	325,602
Endowment gifts	1,000,000
	$ 2,852,319

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

Net Assets Released from Restrictions

During the year ended June 30, 2013, the organization incurred $801,842 in expenses in satisfaction of the restricted purposes specified by the donors, or by occurrence of other events specified by donors, as follows:

Released for operating purposes:		
Program support	$	290,110
Facilities support		170,796
		460,906
Released for capital purposes:		
Capital acquisitions		340,936
	$	801,842

Other Transfers and Allocations

During the year ended June 30, 2013, 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	$	(141,000)
Administrative costs charged to Caldera facilities		45,000
	$	(96,000)

In addition, during the year ended June 30, 2013, Caldera transferred $26,000 in net assets previously restricted to facilities to net assets restricted to program operations in satisfaction of a request made by the donor.

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, 2013, 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, 2013, the organization made contributions to the retirement plan totaling $6,700.

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, 2013:

Increase in net assets	$ 1,219,972
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	513,929
Net appreciation in the fair value of investments	(315,028)
Proceeds from contributions restricted for capital acquisition	(280,502)
Proceeds from contributions restricted for long-term investment	(1,000,000)
Loss on disposal of capital assets	11,640
Net changes in:	
Contributions and grants receivable	53,622
Accounts receivable	(1,022)
Prepaid expenses and other assets	(7,253)
Accounts payable and accrued expenses	(3,037)
Deferred revenue	1,039
Total adjustments	(1,026,612)
Net cash provided by operating activities	$ 193,360

■

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR 2012)

		Program services			Management
		Youth programs	Adult programs	Total	and general
Salaries and related expenses	$	437,195	53,713	490,908	147,585
Professional services		86,622	24,553	111,175	19,828
Occupancy		32,487	1,913	34,400	11,479
Supplies and materials		35,479	1,509	36,988	5,739
Postage		672	167	839	918
Printing and copying		165	101	266	–
Insurance		1,401	467	1,868	2,801
Telephone		3,074	1,015	4,089	3,312
Repairs and maintenance		3,095	178	3,273	798
Travel and transportation		13,274	961	14,235	992
Meals and entertainment		23,822	2,278	26,100	1,160
Meetings and conferences		4,484	657	5,141	3,940
Interest		–	–	–	–
Depreciation		40,355	–	40,355	–
Other		6,583	1,706	8,289	4,610
Total expenses before allocation of facilities expenses		688,708	89,218	777,926	203,162
Allocation of facilities expenses		239,702	682,227	921,929	–
Total expenses	$	928,410	771,445	1,699,855	203,162

Supporting services				
Facilities	Fundraising	Total	Total	2012
143,581	135,931	427,097	918,005	881,309
5,021	13,603	38,452	149,627	126,238
77,842	12,754	102,075	136,475	106,472
22,192	5,972	33,903	70,891	48,017
102	63	1,083	1,922	3,680
160	209	369	635	2,243
61,657	–	64,458	66,326	61,252
20,387	–	23,699	27,788	21,444
110,863	667	112,328	115,601	53,450
945	2,312	4,249	18,484	19,540
331	129	1,620	27,720	39,487
66	886	4,892	10,033	16,799
3,685	–	3,685	3,685	5,560
472,514	1,060	473,574	513,929	540,482
2,583	3,733	10,926	19,215	12,559
921,929	177,319	1,302,410	2,080,336	1,938,532
(921,929)	–	(921,929)	–	–
–	177,319	380,481	2,080,336	1,938,532

GOVERNING BOARD, ADVISORY COMMITTEES, AND MANAGEMENT

JUNE 30, 2013

Board of Directors

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

Cristy Lanfri, *Board Co-Chair*
Arts Advocate and Community Philanthropist
Bend, Oregon

Cindy Campbell
Founder, Friends of the Children – Portland
Portland, Oregon

Dave Chen
Founder and Principal
Equilibrium Capital Group
Portland, Oregon

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

Dan Heagerty
Independent Environmental Consultant
Portland, Oregon

John Jay
Executive Creative Director
Wieden + Kennedy
Portland, Oregon

Wes Lawrence
West Regional President
KeyBank
Portland, Oregon

Barbara MacDougall
Community Philanthropist
Portland, Oregon

René Mitchell
Partner & Director of Client Services
tbd advertising
Bend, Oregon

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

Howard Shapiro
Nonprofit Consultant
Portland, Oregon

Chris Van Dyke
Marketing Consultant

Dennis Wilde
Gerding-Edlen Development Company (retired)
Portland, Oregon

Nancy Wilgenbusch
President Emeritus
Marylhurst University
Marylhurst, Oregon

Advisory Committees

Executive/Nominating Committee

Dan Wieden, *Chair*
John Jay
Cristy Lanfri
René Mitchell
Mary Normand
Howard Shapiro
Tricia Snell

Finance and Investment Committee

Wes Lawrence, *Chair*
Cindy Campbell
David Chen
Tricia Snell
David Nolfi

Central Oregon Advisory Committee

Cristy Lanfri, *Co-Chair*
René Mitchell, *Co-Chair*
Pamela Hulse Andrews
Judy Campbell
Kathy Deggendorfer
Noelle Fredland
Jenny Green
Julie Gregory
Margeret Heater
Romy Mortenson
Chuck Newport
J.P. Pat
Amanda Stuermer
Jody Ward

Artist in Residence Development Committee

John Jay, *Chair*
Michelle Meyer
René Mitchell
Elizabeth Quinn
Tricia Snell

Facility Committee

Dan Heagerty, *Chair*
David Nolfi
Paul Spezza
Dennis Wilde

Management

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

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