

OREGON NATURAL DESERT ASSOCIATION
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

OREGON NATURAL DESERT ASSOCIATION

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Kerkoch
Katter &
Nelson, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Oregon Natural Desert Association
Bend, Oregon

We have audited the accompanying financial statements of the Oregon Natural Desert Association (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and net assets, functional expenses 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 of America; 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 of America. 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 entity'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 entity'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 the Oregon Natural Desert Association as of December 31, 2016, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read 'Kerkoch Katter & Nelson, LLP', is written over a horizontal line.

Kerkoch Katter & Nelson, LLP
Certified Public Accountants

March 15, 2017

FINANCIAL STATEMENTS

OREGON NATURAL DESERT ASSOCIATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ 1,860,561	\$ 1,835,991
<i>Total current assets</i>	<u>1,860,561</u>	<u>1,835,991</u>
<i>Deposit</i>	5,000	7,500
<i>Investments</i>		
Long-term investments	144,011	139,828
Oregon Community Foundation Fund	44,876	41,752
<i>Property and equipment(net of accumulated depreciation)</i>	<u>45,896</u>	<u>58,512</u>
<i>Total assets</i>	<u>\$ 2,100,344</u>	<u>\$ 2,083,583</u>
LIABILITIES AND NET ASSETS		
<i>Current liabilities</i>		
Accrued liabilities	\$ 28,374	\$ 16,331
<i>Total current liabilities</i>	<u>28,374</u>	<u>16,331</u>
<i>Net assets</i>		
Unrestricted	1,781,198	1,549,995
Property and equipment	<u>45,896</u>	<u>58,512</u>
<i>Total unrestricted</i>	<u>1,827,094</u>	<u>1,608,507</u>
Temporarily restricted	<u>200,000</u>	<u>416,993</u>
Permanently restricted	<u>44,876</u>	<u>41,752</u>
<i>Total net assets</i>	<u>2,071,970</u>	<u>2,067,252</u>
<i>Total liabilities and net assets</i>	<u>\$ 2,100,344</u>	<u>\$ 2,083,583</u>

The accompanying notes are an integral part
of the financial statements

OREGON NATURAL DESERT ASSOCIATION
STATEMENT OF ACTIVITIES AND NET ASSETS
YEAR ENDED DECEMBER 31, 2016

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015

	<i>Unrestricted</i>	<i>Temporarily</i>	<i>Permanently</i>	<i>Totals</i>	
	<i>Funds</i>	<i>Restricted</i>	<i>Restricted</i>	<u>2016</u>	<u>2015</u>
	<i>Funds</i>	<i>Funds</i>	<i>Funds</i>		
SUPPORT AND REVENUE					
Foundation and private grants		\$ 877,401	\$	\$ 877,401	\$ 966,000
Contributions	277,902			277,902	274,294
Memberships	180,907			180,907	127,747
Reimbursements and other other program revenue	84,790			84,790	112,490
Conferences and events	27,068			27,068	17,515
Calendar and other sales	10,532			10,532	8,153
Investment earnings	73,075		3,124	76,199	18,661
Unrealized gain on investments	4,183			4,183	(2,648)
	<u>1,094,394</u>	<u>(1,094,394)</u>			
Net assets released from restrictions					
	<u>1,752,851</u>	<u>(216,993)</u>	<u>3,124</u>	<u>1,538,982</u>	<u>1,522,212</u>
<i>Total support and revenue</i>					
EXPENSES					
Program services	1,299,014			1,299,014	1,387,277
Management and general	129,142			129,142	108,576
Fundraising	106,108			106,108	69,953
	<u>1,534,264</u>			<u>1,534,264</u>	<u>1,565,806</u>
<i>Total expenses</i>					
CHANGE IN NET ASSETS	218,587	(216,993)	3,124	4,718	(43,594)
NET ASSETS, beginning of year	<u>1,608,507</u>	<u>416,993</u>	<u>41,752</u>	<u>2,067,252</u>	<u>2,110,846</u>
NET ASSETS, end of year	<u>\$ 1,827,094</u>	<u>\$ 200,000</u>	<u>\$ 44,876</u>	<u>\$ 2,071,970</u>	<u>\$ 2,067,252</u>

The accompanying notes are an integral part
of the financial statements

OREGON NATURAL DESERT ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015

	<i>Program</i>	<i>Management</i>		<i>Totals</i>	
	<i>Services</i>	<i>and General</i>	<i>Fundraising</i>	<i>2016</i>	<i>2015</i>
Salaries and benefits	\$ 925,182	\$ 95,708	\$ 42,536	\$ 1,063,426	\$ 980,280
Contract services	148,037			148,037	337,696
Travel	56,807	5,876	2,612	65,295	67,384
Occupancy	41,541	4,297	1,910	47,748	47,799
Supplies and maintenance	44,059	4,557	2,026	50,642	14,926
Events			38,514	38,514	13,603
Fees, dues and licenses	30,095	3,113	1,384	34,592	35,438
Printing	22,275	2,305	1,024	25,604	20,381
Newsletter & media		5,597	5,597	11,194	7,215
Calendar & merchandise			9,079	9,079	8,093
Postage and shipping	8,948	926	411	10,285	8,808
Telephone	5,539	573	255	6,367	7,012
Accounting	740	4,556	34	5,330	5,330
Utilities	2,006	208	92	2,306	2,071
Insurance	2,809	291	129	3,229	2,699
<i>Total expenses before depreciation</i>	1,288,038	128,007	105,603	1,521,648	1,558,735
Depreciation	10,976	1,135	505	12,616	7,071
<i>Total expenses</i>	<u>\$ 1,299,014</u>	<u>\$ 129,142</u>	<u>\$ 106,108</u>	<u>\$ 1,534,264</u>	<u>\$ 1,565,806</u>

The accompanying notes are an integral part
of the financial statements

OREGON NATURAL DESERT ASSOCIATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,718	\$ (43,594)
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	12,616	7,071
Unrealized loss on investments	(4,183)	2,648
Decrease (increase) in:		
Deposits	2,500	
(Decrease) increase in:		
Accrued liabilities	<u>12,043</u>	<u>980</u>
 <i>Net cash provided by (used in) operating activities</i>	 <u>27,694</u>	 <u>(32,895)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Net acquisition of property and equipment		(25,791)
Net (acquisition) proceeds from investments	<u>(3,124)</u>	<u>(6,964)</u>
 <i>Net cash provided by (used in) investing activities</i>	 <u>(3,124)</u>	 <u>(32,755)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 24,570	 (65,650)
 CASH AND CASH EQUIVALENTS, beginning of year	 <u>1,835,991</u>	 <u>1,901,641</u>
 CASH AND CASH EQUIVALENTS, end of year	 <u>\$ 1,860,561</u>	 <u>\$ 1,835,991</u>

The accompanying notes are an integral part of the financial statements

OREGON NATURAL DESERT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Oregon Natural Desert Association (ONDA) is a nonprofit organization incorporated under the laws of the State of Oregon for the purpose of preservation, protection, and rehabilitation of Oregon's arid-land environment and to assist and cooperate with other organizations involved in natural resource preservation and education.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards. Under Statement of Financial Accounting Standards, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Revenue with restrictions that are met in the year of receipt is recorded as unrestricted.

Income Taxes

The financial statements do not reflect the effects of income taxes. The Organization is a not-for-profit corporation which has been granted tax exempt status under code section 501(c)(3). In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the code.

Support and Revenue

Grants and contributions received as well as collectible unconditional promises to give are recognized in the period received. Grants and contributions are recorded as unrestricted, temporarily restricted, or permanently restricted revenue depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Releases totaled \$1,094,394 for the year ended December 31, 2016.

Comparative Financial Information

The financial statements and notes to the financial statements contain certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Cash and Cash Equivalents

Cash equivalents are stated at cost which approximates market value. For purposes of the statement of cash flows, the Organization considers all cash investments with maturities of three months or less to be cash and cash equivalents.

OREGON NATURAL DESERT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Furniture and Equipment

Property and equipment is stated at historical cost, or if donated, at the estimated fair value at the date of donation. Furniture and equipment in excess of \$500 are capitalized and are depreciated over an estimated useful life of three to seven years using straight-line and accelerated methods of depreciation. Depreciation expense amounted to \$12,616 for the year ended December 31, 2016.

Functional Allocation of Expenses

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

Subsequent Events

Subsequent events have been evaluated through March 15, 2017, which is the date the financial statements were issued.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to a concentration of credit risk consist principally of cash and cash equivalents, investments and accounts receivable. The Organization maintains its cash balances at FDIC insured institutions and invests in brokerage accounts and the Oregon Community Foundation.

NOTE 3 - FUND STRUCTURE

A brief description of the various funds used by the Organization in accounting for their activities is as follows:

Unrestricted Funds

These funds account for unrestricted contributions and provide for administration and operation of the Organization. Equipment acquisitions, including the recording of their cost and depreciation are also included in the unrestricted funds.

Temporarily Restricted Funds

These funds are used to account for the proceeds of specific revenue sources that are legally or contractually restricted to expenditures for specified purposes.

Permanently Restricted Funds

These funds account for the collection and disbursement of restricted contributions of which the income portion is, if not specifically required to be added to the capital, transferred to the temporarily restricted or unrestricted funds. Permanently restricted funds also include trust funds held by other trustees where the principal is restricted in perpetuity.

OREGON NATURAL DESERT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 4 - SUMMARY OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at December 31, 2016:

Petty cash	\$	207
Checking		34,150
Savings		<u>1,826,204</u>
	<u>\$</u>	<u>1,860,561</u>

NOTE 5 - INVESTMENTS

Investments as of December 31, 2016, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
Unrestricted:		
Fixed retirement annuity	\$ 103,415	\$ 144,011
Permanently restricted:		
Oregon Community Foundation Fund	<u>39,022</u>	<u>44,876</u>
	<u>\$ 142,437</u>	<u>\$ 188,887</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2016:

Contributions made to the Oregon Community Foundation Endowment Fund, an Oregon nonprofit corporation, become permanent funds of the Oregon Community Foundation for the Oregon Natural Desert Association Endowment Fund, if so designated by the contributor. The Foundation distributes an appropriate percentage of the fair value of the principal and income of the Fund to the Oregon Natural Desert Association. The fair value of the Fund at December 31, 2016 was \$44,876 of which all is permanently restricted.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2016 is as follows:

Furniture and equipment	\$	55,888
Improvements		42,503
Less accumulated depreciation		<u>(52,495)</u>
	<u>\$</u>	<u>45,896</u>

OREGON NATURAL DESERT ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets for program activities consisted of the following as of December 31, 2016:

Wyss Foundation	\$ 75,000
Greater Hart Sheldon Foundation	100,000
PEW Wilderness Foundation	<u>25,000</u>
	<u>\$ 200,000</u>

NOTE 8 – IN-KIND DONATIONS

Donated services are recognized as contributions in accordance with Statement of Financial Accounting Standards, Accounting for Contributions Received and Contributions Made, if the services; a) create or enhance nonfinancial needs or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs, fund-raising activities and various committee assignments. The services provided by these volunteers are not recognized as contributions in the financial statements since the recognition criteria under Statement of Financial Accounting Standards were not met.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Grant Compliance: Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, the Board and management deems the contingency remote, since by accepting the grants and their terms, the Organization has designed and tailored the Organization's systems to comply with the requirements of the grants.

Leases: Oregon Natural Desert Association leases office space in Bend and Portland, Oregon under noncancellable operating leases. Rental expense under all noncancellable leases for the year ended December 31, 2016 was \$47,748. Additionally, the Oregon Natural Desert Association sublet a portion of its office space and received rental income in the amount of \$19,300 for the year ended December 31, 2016.