GaryMcGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

Rural Development Initiatives, Inc.

Financial Statements and Other Information
as of and for the Year Ended December 31, 2015
and Report of Independent Accountants

RURAL DEVELOPMENT INITIATIVES, INC.

TABLE OF CONTENTS

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
Rural Development Initiatives, Inc.:

We have audited the accompanying financial statements of Rural Development Initiatives, Inc., which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, cash flows, and functional expenses 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 Rural Development Initiatives, Inc. as of December 31, 2015, 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.

Summarized Comparative Information

We have previously audited Rural Development Initiatives, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 12, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

February 23, 2016

RURAL DEVELOPMENT INITIATIVES, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

(WITH COMPARATIVE AMOUNTS FOR 2014)

	2015	2014
Assets:		
Cash and cash equivalents	$ 869,030	996,471
Investments *(note 4)*	253,774	251,252
Grants receivable *(note 5)*	159,000	228,000
Accounts receivable	133,324	87,567
Prepaid expenses and other assets	37,816	34,343
Beneficial interest in assets held by the Oregon Community Foundation *(note 6)*	328,422	333,318
Property and equipment *(note 7)*	53,114	85,696
Total assets	$ 1,834,480	2,016,647
Liabilities:		
Accounts payable and accrued expenses	16,690	57,590
Accrued payroll and related expenses	129,919	180,575
Deferred revenue *(note 10)*	150,390	227,662
Total liabilities	296,999	465,827
Net assets:		
Unrestricted:		
Board-designated *(note 8)*	1,114,334	1,027,205
Net investment in capital assets	53,114	85,696
Total unrestricted net assets	1,167,448	1,112,901
Temporarily restricted *(note 8)*	366,033	433,919
Permanently restricted *(note 8)*	4,000	4,000
Total net assets	1,537,481	1,550,820
Commitments and contingencies *(notes 5, 13, 14, 15, 16, and 17)*		
Total liabilities and net assets	$ 1,834,480	2,016,647

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

(WITH COMPARATIVE TOTALS FOR 2014)

	2015				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	2014
Revenues, gains, and other support:					
Contract and program revenues *(note 10)*	$ 2,135,932	–	–	2,135,932	2,320,561
Grants and contributions *(note 11)*	132,895	458,125	–	591,020	614,737
Net increase (decrease) in the beneficial interest in assets held by the Oregon Community Foundation *(note 6)*	(4,828)	(68)	–	(4,896)	10,354
Interest income	5,107	–	–	5,107	2,191
Other	11,574	–	–	11,574	3,479
Total revenues and gains	2,280,680	458,057	–	2,738,737	2,951,322
Net assets released from restrictions *(note 9)*	525,943	(525,943)	–	–	–
Total revenues, gains, and other support	2,806,623	(67,886)	–	2,738,737	2,951,322
Expenses *(note 12)***:**					
Program services:					
Leadership development	1,207,401	–	–	1,207,401	1,405,281
Rural economic vitality	754,139	–	–	754,139	757,225
Networking and program development	211,950	–	–	211,950	51,693
Total program services	2,173,490	–	–	2,173,490	2,214,199
Supporting services:					
Management and general	573,315	–	–	573,315	466,008
Fundraising	5,271	–	–	5,271	10,282
Total supporting services	578,586	–	–	578,586	476,290
Total expenses	2,752,076	–	–	2,752,076	2,690,489
Increase (decrease) in net assets	54,547	(67,886)	–	(13,339)	260,833
Net assets at beginning of year	1,112,901	433,919	4,000	1,550,820	1,289,987
Net assets at end of year	$ 1,167,448	366,033	4,000	1,537,481	1,550,820

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

	2015	2014
Cash flows from operating activities:		
Cash received from contractors, grantors, contributors, and others	$ 2,684,218	2,656,965
Cash received from interest	5,107	2,191
Cash paid to employees and suppliers	(2,810,514)	(2,604,543)
Net cash provided by (used in) operating activities	(121,189)	54,613
Cash flows from investing activities:		
Purchase of capital assets	(4,953)	(76,373)
Proceeds from the sale of capital assets	1,223	544
Purchase of investments	–	(250,000)
Reinvested interest income	(2,522)	(1,252)
Net cash used in investing activities	(6,252)	(327,081)
Net decrease in cash and cash equivalents	(127,441)	(272,468)
Cash and cash equivalents at beginning of year	996,471	1,268,939
Cash and cash equivalents at end of year	$ 869,030	996,471

See accompanying notes to financial statements.

RURAL DEVELOPMENT INITIATIVES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

	2015								
	Program services				Supporting services				
	Leadership development	Rural economic vitality	Networking and program development	Total	Management and general	Fundraising	Total	Total	2014
Salaries and related costs	$ 761,682	488,760	145,537	1,395,979	483,155	4,452	487,607	1,883,586	1,771,911
Travel	91,218	52,672	22,908	166,798	64,777	49	64,826	231,624	251,804
Catering for conferences and trainings	134,383	17,687	577	152,647	6,155	–	6,155	158,802	134,552
Consultants	38,677	63,847	8,350	110,874	19,165	–	19,165	130,039	219,557
Information technology	3,134	2,550	2,528	8,212	65,827	–	65,827	74,039	76,946
Occupancy	11,214	837	715	12,766	40,999	–	40,999	53,765	46,127
Office expenses	7,554	755	3,853	12,162	36,399	122	36,521	48,683	60,077
Curriculum materials	23,711	3,837	1,367	28,915	363	–	363	29,278	52,764
Accounting and legal fees	750	–	–	750	32,900	–	32,900	33,650	19,522
Depreciation and amortization	–	–	–	–	36,591	–	36,591	36,591	22,576
Staff development	7,055	4,269	125	11,449	11,973	–	11,973	23,422	20,673
Marketing	–	–	1,055	1,055	5,095	–	5,095	6,150	6,190
Insurance	–	–	–	–	6,985	–	6,985	6,985	6,290
Grants	–	35,462	–	35,462	–	–	–	35,462	1,500
Total expenses before allocation of shared costs	1,079,378	670,676	187,015	1,937,069	810,384	4,623	815,007	2,752,076	2,690,489
Allocation of shared costs	128,023	83,463	24,935	236,421	(237,069)	648	(236,421)	–	–
Total expenses	$ 1,207,401	754,139	211,950	2,173,490	573,315	5,271	578,586	2,752,076	2,690,489

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Organization

Rural Development Initiatives, Inc. ("RDI") develops leaders, strengthens organizations, and activates collaborative networks to enhance economic vitality in rural communities.

RDI is a 501(c)(3) nonprofit established in 1991 with headquarters in Eugene, Oregon. RDI has successfully connected and worked with over 7,500 leaders from 350 rural communities throughout Oregon and the Pacific Northwest.

RDI strives to help rural people and communities achieve their visions and goals. RDI's vision is to ensure rural communities are strong and vibrant as a result of skilled, inclusive leadership training that engages residents in developing diverse, resilient economies. RDI facilitates collaboration between neighboring regions, innovative partners and resource providers to achieve strong and sustainable rural communities. RDI provides the training, networking opportunities and resources to help rural communities thrive.

2. Program Services

During the year ended December 31, 2015, RDI incurred program service expenses in the following major categories:

Leadership Development – Capacity-building activities for individuals and organizations in rural communities. Opportunities such as the Ford Institute Leadership Program and the Sherwood Trust Community Leadership Program make up RDI's Leadership Development Services. These services are designed with the belief that vital rural communities develop from a broad base of knowledgeable, skilled and motivated leaders, a diversity of effective organizations, and productive collaborations. RDI's vision is for rural communities throughout our region to have knowledgeable and skilled individual and organizational leaders who are strongly networked and who make a difference in their own communities, organizations, and across the Pacific Northwest.

Rural Economic Vitality (REV) – Services that move communities and regions to action to build community wealth and jobs. RDI's Rural Economic Vitality area of service brings people in rural communities together to learn best practices, strengthen connections, focus on opportunities, and collectively move to action toward creating rural community and economic vitality. RDI works in partnership with local leaders to implement effective programs and strategies for buying and investing in local businesses and connecting entrepreneurs and businesses to financial resources. Our responsive REV services include WealthWorks Northwest, Economic Vitality Summits, Pasos al Éxito (Steps to Success), and Economic Vitality Roadmaps.

Networking and Individual Community Facilitation and Coaching – RDI builds successful, flexible collaborations with partners and stakeholders to solve complex community and regional issues. These relationships support and strengthen our work to benefit rural communities and create financial support to help sustain it. Additionally, RDI provides opportunities for community leaders to come together to learn from and support each other.

3. Summary of Significant Accounting Policies

The significant accounting policies followed by RDI 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 – RDI 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 RDI and/or the passage of time. These balances represent the unexpended portion of externally restricted contributions to be used for specific programs and activities as directed by the donor.

- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization. The donors of these assets generally permit the organization to use the investment return generated on related investments for either 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 received. 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.

In-Kind Contributions – RDI 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, 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 RDI would have purchased if not donated are recognized in the accompanying financial statements.

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 RDI's activities.

During the year ended December 31, 2015, the organization recorded no in-kind contributions.

Contributions of Long-Lived Assets – Contributions of land, buildings, and equipment 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 land, buildings, and equipment 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 Equivalents – For purposes of the financial statements, RDI considers all liquid investments having initial maturities of three months or less to be cash equivalents.

Capital Assets and Depreciation – Property and equipment are carried at cost when purchased and initially at fair value when acquired by gift. Capital assets having a unit cost of $1,000 or more and an estimated useful life of more than one year are capitalized. Depreciation and amortization is provided on a straight-line basis over the estimated useful lives of the respective assets, which is generally the shorter the of useful life of the asset or the term of the lease for leasehold improvements, 7 years for furniture and equipment, 3 years for web site development, and 3 to 5 years for software and computer equipment. Maintenance and repair costs are expensed as incurred.

RDI periodically reviews the carrying amount of its capital assets whenever events or circumstances provide evidence that suggest that the carrying amount may not be recoverable. If this review indicates that capital assets may not be recoverable, the organization reviews the expected undiscounted future net operating cash flows from the use of these assets. If such assets are considered to be impaired, the impairment in value is recognized as a charge in the statement of activities. The impairment charge is the difference between the carrying amount of the capital assets and its fair value. As of December 31, 2015, RDI does not believe there is any indication that the carrying value of its capital assets has been impaired during the year ended December 31, 2015.

Revenue Recognition – All grants and contributions are considered available for unrestricted use unless specifically restricted by the donor. Contract and program revenues are recognized as revenue at the time services are provided and the revenues are earned. Advance payments received on contract and program fees are reported as deferred revenue until services are delivered and revenue is earned.

Grants – Grants are accrued when awarded by the organization and unconditional. Grants are provided from available resources and in accordance with restrictions imposed by donors.

Advertising Expenses – Advertising and promotional costs are charged to expense as they are incurred.

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, RDI 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, RDI's policies limit the spending of investment income and appreciation to amounts approved for distribution by the Board of Directors. RDI's spending policy is consistent with that of its endowment partner, the Oregon Community Foundation ("OCF"). OCF makes annual distributions up to 4.5% of the average fair market value of the funds using a trailing 13-quarter average.

During the year ended December 31, 2015, RDI's Board of Directors did not appropriate any endowment assets for expenditure.

Concentrations of Credit Risk – RDI's financial instruments consist primarily of cash equivalents, money market funds, and certificate of deposits 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").

All 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. At December 31, 2015, RDI held $450,805 in excess of the FDIC-insured limits.

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.

Finally, the reported value of RDI's beneficial interest in assets held by OCF is dependent upon changes in the fair values of the underlying investments and the ability of OCF to honor its commitment.

Income Taxes – RDI is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. In addition, RDI has been recognized as a public charity under Section 170(b)(1)(A)(vi) of the Internal Revenue Code. Contributions to the organization qualify for applicable charitable contribution deductions.

Subsequent Events – As required by FASB ASC No. 855, *Subsequent Events*, subsequent events have been evaluated by management through February 23, 2016, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2014 – The accompanying financial information as of and for the year ended December 31, 2014 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. Investments

Investments consist of a certificate of deposit having an initial maturity of greater than three months and which totals $253,774 at December 31, 2015.

5. Grants Receivable

Contributions and grants receivable at December 31, 2015 represent unconditional promises to be collected in less than one year totaling $159,000.

Conditional Gifts and Grants

As of December 31, 2015, RDI had access to an additional $23,395 in government grants, the receipt of which was conditioned upon the incurrence of allowable costs. RDI also held one additional gift in the amount of $73,000 that was conditioned upon making satisfactory progress in the implementation of the program outlined in the grant application.

These grant revenues have not been included in the accompanying financial statements because the associated conditions had not been satisfied as of December 31, 2015.

6. Beneficial Interest in Assets Held by the Oregon Community Foundation

RDI has established the Rural Development Initiatives, Inc. Endowment Fund (the "Fund") at OCF, which holds and invests as a component fund for the benefit of RDI.

The Fund was established through an initial transfer of assets to OCF in return for the contractual promise of a perpetual stream of future distributions back to RDI, based on OCF's spending rate and related policies (described below). Although OCF accepted the transferred assets subject to its own variance power, RDI has retained a future economic beneficial interest in the transferred assets, having named itself as the beneficiary of the transferred funds and related future investment return. As of December 31, 2015, management believes that future distributions from OCF are capable of fulfillment and consistent with OCF's mission.

In accordance with FASB ASC No. 958-605, RDI accounts for its interest in the Fund using the equity method of accounting, which approximates the present value of the estimated expected future cash flow that will inure to RDI in the future. Management's estimate of fair value is based solely upon information provided by OCF.

Changes in RDI's beneficial interest in this Fund for the year ended December 31, 2015 are summarized as follows:

Balance at beginning of year	$	333,318
Net change in the beneficial interest in assets held by the OCF		(4,896)
Balance at the end of year	$	328,422

The Fund consisted of the following at December 31, 2015:

Board-designated endowment	$	323,902
Donor-restricted endowment		4,520
	$	328,422

Under the terms of its agreement with the OCF, the funds are invested at the discretion of the OCF and are held in a mixture of asset classes designed to maximize return while minimizing risk. RDI is eligible to receive annual distributions of the net investment return earned on these assets (generally, 4.5% of the average fair market value of the funds using a trailing 13-quarter average). During the year ended December 31, 2015, RDI has elected to reinvest the earnings and not receive any distributions from the Fund.

7. Property and Equipment

A summary of property and equipment at December 31, 2015 is as follows:

Computer equipment and software	$	68,284
Web site development costs		34,999
Furniture and equipment		2,210
Leasehold improvements		31,994
		137,487
Less accumulated depreciation and amortization		(84,373)
	$	53,114

8. Restrictions and Limitations on Net Asset Balances

The following provides information about restrictions and other limitations ascribed to RDI's net assets at December 31, 2015:

Designated by Board

At December 31, 2015, $1,114,334 of the organization's unrestricted net assets were designated by the Board of Directors, as follows:

Board-designated endowment	$ 323,902
Operating reserve [1]	740,432
Agility Fund [2]	50,000
	$ 1,114,334

[1] The Board of Directors adopted a resolution to establish an operating reserve with the goal of maintaining a balance equal to 6 months of operating expenses.

[2] The Agility Fund is to be used as leverage for additional funds from grantors, or as seed money for new projects.

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2015 represent contributions, grants, and other unexpended revenues and gains available for the following:

WealthWorks Northwest	$ 204,956
Capacity building	79,667
Pasos al Éxito	58,597
Other programs	22,293
Unappropriated endowment earnings	520
	$ 366,033

Permanently Restricted Net Assets

At December 31, 2015, RDI held $4,000 in donor-restricted endowment funds. The return generated by the investment of these permanently restricted net assets is unrestricted as to purpose.

The following summarizes the organization's Board-designated and donor-restricted, endowment-related activities for the year ended December 31, 2015:

	Donor-restricted endowment			Unrestricted	
	Temporarily restricted	Permanently restricted	Total	Board-designated endowment	Total endowment
Endowment net assets at beginning of year	$ 588	4,000	4,588	328,730	333,318
Net decrease in the beneficial interest in assets held by the Oregon Community Foundation	(68)	–	(68)	(4,828)	(4,896)
Endowment net assets at end of year	$ 520	4,000	4,520	323,902	328,422

9. Net Assets Released from Restrictions

During the year ended December 31, 2015, net assets totaling $525,943 were released from temporary donor restrictions by incurring expenses in satisfaction of the restricted purpose, or by the occurrence of other events specified by donors.

10. Contract and Program Revenues

For the year ended December 31, 2015, contract and program revenues consisted of the following sources:

The Ford Family Foundation	$ 2,012,890
Regard to Rural conference	52,359
Other contracts	60,583
Other program fees	10,100
	$ 2,135,932

During the year ended December 31, 2015, RDI received of a total of $2,202,890 in contract fees and grants from The Ford Family Foundation, representing approximately 80.4% of RDI's total revenues.

Deferred Revenue

At December 31, 2015, the organization held $150,390 in contract fees from The Ford Family Foundation that were received in advance of service deliveries and are reported as deferred revenue.

11. Grants and Contributions

Grants and contributions received during the year ended December 31, 2015 are summarized as follows:

Foundations and corporations	$ 367,500
Government	128,815
Regards to Rural sponsorships	83,000
Individuals and corporations	11,705
	$ 591,020

12. Expenses

The costs of providing the various programs and other activities of RDI 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 summarized in the statement of functional expenses.

13. Contingencies

Certain amounts received or receivable under the organization's government contracts are subject to audit and adjustment by the contracting agencies. Any expenditures or claims disallowed as a result of such audits would become a liability of the organization's general operating fund. In the opinion of the organization's management, any adjustments that might result from such audits would not be material to the organization's overall financial statements.

14. Grant Commitments

As of December 31, 2015, RDI had awarded $104,038 in grants; however, payment of grant funds is conditioned upon the successful completion of certain specific agreed-upon benchmarks. The associated grant expense has not been reflected in the accompanying financial statements because the required conditions of the grant award had not been satisfied as of December 31, 2015.

15. Operating Lease Commitments

The organization leases its administrative offices and certain office equipment under operating leases with various expiration dates through October of 2018.

Minimum future lease payments under these operating leases as of December 31, 2015 are as follows:

Years ending December 31,	
2016	$ 37,209
2017	25,913
2018	2,809
	$ 65,931

Rent expense for the above leases for the year ended December 31, 2015 totaled $40,081.

16. Retirement Plan

RDI provides employees with a qualified retirement plan, as described under Section 401(k) of the Internal Revenue Code. The plan covers all eligible employees who have reached the age of 18 and have completed six months of service with RDI. Participating employees may make voluntary contributions to the plan on either a pre-tax or after-tax basis, subject to limits allowed by law. In addition, RDI makes voluntary contributions up to 3.0% of the employee's annual salary. Both employer and employee contributions are 100% vested immediately. Retirement plan expense for the year ended December 31, 2015 totaled $40,599.

17. Unemployment Insurance

The organization is self-insured for unemployment claims under a plan administered by a third party. Annually, the administrator recommends the organization's contributions to the plan to pay future unemployment claims as they arise. For the year ended December 31, 2015, the organization had a deposit balance in the plan of approximately $16,910, reported as other assets. At December 31, 2015, RDI recorded an estimated liability for future claim costs of $31,284.

18. Fair Value Measurements

Included in the accompanying financial statements are certain financial instruments carried at fair value. The fair value of an asset or a liability is the amount that would be received to sell an asset or paid to transfer a liability in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Fair values are based on quoted market prices when available.

All financial assets and liabilities presented at fair value have been classified, for disclosure purposes, based on a hierarchy defined by FASB ASC No. 820, *Fair Value Measurements and Disclosures*. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities and the lowest ranking to fair values determined using methodologies and models with unobservable inputs, as follows:

- *Level 1* – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

- *Level 2* – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.

- *Level 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect RDI's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date. Accordingly, this category includes RDI's beneficial interests in assets held by OCF and similar portfolios where it does not have direct investment authority and where its financial interests do not trade in public markets.

At December 31, 2015, RDI's beneficial interest in assets held by OCF is considered to be a Level 3 financial instrument. See note 6 for a summary of the beneficial interest in assets held by OCF and the associated activity for the year ended December 31, 2015.

19. Statement of Cash Flows Reconciliation

The following presents a reconciliation of the decrease 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):

Decrease in net assets	$ (13,339)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation and amortization	36,591
Net decrease in beneficial interest in assets held by the Oregon Community Foundation	4,896
Gain on the sale of capital assets	(279)
Net changes in:	
Grants receivable	69,000
Accounts receivable	(45,757)
Prepaid expenses and other assets	(3,473)
Accounts payable and accrued expenses	(40,900)
Accrued payroll and related expenses	(50,656)
Deferred revenue	(77,272)
Total adjustments	(107,850)
Net cash used in operating activities	$ (121,189)

20. Reclassification of 2014 Comparative Totals

Certain 2014 amounts presented herein have been reclassified to conform to the 2015 presentation.

■

GOVERNING BOARD AND MANAGEMENT

Board of Directors

Maui Meyer, *Chair*

Melissa Cribbins, *Vice Chair*

Doris Penwell, *Treasurer*

Amanda Hoey, *Secretary*

Erik Andersson

John Burt

Greg Ellis

Mike McLaughlin

Gustavo Morales

Cheryl Morgan

Wes Price

Scott Reed

Erubiel Valladares Carranza, II

Management

Craig Smith
Executive Director

Dhenuka Hoffman
Director of Finance and Administration

INQUIRIES AND OTHER INFORMATION

RURAL DEVELOPMENT INITIATIVES, INC.
150 Shelton McMurphey Boulevard, Suite 201
Eugene, Oregon 97401

(541) 684-9077
(541) 684-8993 Fax

Web site
www.rdiinc.org