GaryMcGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

Rural Development Initiatives, Inc.

Financial Statements and Other Information
as of and for the Year Ended December 31, 2017
and Report of Independent Accountants

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GaryMcGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, 2017, 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, 2017, 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.

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Summarized Comparative Information

We have previously audited Rural Development Initiatives, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 2, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

[illegible] & Co. LLP

March 21, 2018

RURAL DEVELOPMENT INITIATIVES, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

(WITH COMPARATIVE AMOUNTS FOR 2016)

		2017	2016
Assets:			
Cash and cash equivalents	$	542,518	796,300
Investments		–	256,328
Grants receivable *(note 4)*		15,500	65,000
Accounts receivable		12,095	36,642
Prepaid expenses and other assets		17,950	17,568
Beneficial interest in assets held by the Oregon Community Foundation *(note 5)*		399,150	346,928
Property and equipment *(note 6)*		10,716	24,318
Total assets	$	997,929	1,543,084
Liabilities:			
Accounts payable and accrued expenses		14,010	32,590
Accrued payroll and related expenses		90,934	93,322
Deferred revenue *(note 10)*		4,650	113,750
Total liabilities		109,594	239,662
Net assets:			
Unrestricted:			
Available for programs and general operations		491,395	155,852
Board-designated *(note 7)*		43,656	892,153
Net investment in capital assets		10,716	24,318
Total unrestricted net assets		545,767	1,072,323
Temporarily restricted *(note 7)*		338,568	227,099
Permanently restricted *(note 7)*		4,000	4,000
Total net assets		888,335	1,303,422
Commitments and contingencies *(notes 4, 12, 13, 14, and 15)*			
Total liabilities and net assets	$	997,929	1,543,084

See accompanying notes to financial statements.

RURAL DEVELOPMENT INITIATIVES, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS FOR 2016)

	2017				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	2016
Revenues, gains, and other support:					
Contract and program revenues *(note 10)*	$ 130,448	–	–	130,448	1,754,944
Grants and contributions *(note 8)*	136,624	1,040,500	–	1,177,124	489,461
Net increase in the beneficial interest in assets held by the Oregon Community Foundation *(note 5)*	51,503	719	–	52,222	18,506
Interest income	4,384	–	–	4,384	5,328
Other	3,104	–	–	3,104	6,094
Total revenues and gains	326,063	1,041,219	–	1,367,282	2,274,333
Net assets released from restrictions *(note 9)*	929,750	(929,750)	–	–	–
Total revenues, gains, and other support	1,255,813	111,469	–	1,367,282	2,274,333
Expenses *(note 11)*:					
Program services:					
Rural leadership	375,200	–	–	375,200	663,999
Rural economies	369,992	–	–	369,992	766,469
Rural voices and priorities	97,304	–	–	97,304	72,999
Networking and program development	462,014	–	–	462,014	439,859
Total program services	1,304,510	–	–	1,304,510	1,943,326
Supporting services:					
Management and general	468,797	–	–	468,797	558,792
Fundraising	9,062	–	–	9,062	6,274
Total supporting services	477,859	–	–	477,859	565,066
Total expenses	1,782,369	–	–	1,782,369	2,508,392
Increase (decrease) in net assets	(526,556)	111,469	–	(415,087)	(234,059)
Net assets at beginning of year	1,072,323	227,099	4,000	1,303,422	1,537,481
Net assets at end of year	$ 545,767	338,568	4,000	888,335	1,303,422

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017	2016
Cash flows from operating activities:		
Cash received from contractors, grantors, contributors, and others	$ 1,274,643	2,404,076
Cash received from interest	4,384	5,328
Cash paid to employees and suppliers	(1,787,033)	(2,477,714)
Net cash used in operating activities	(508,006)	(68,310)
Cash flows from investing activities:		
Purchase of capital assets	(3,084)	(2,331)
Proceeds from the sale of capital assets	980	465
Reinvested interest income	(2,573)	(2,554)
Proceeds from sale of investments	258,901	–
Net cash provided by (used in) investing activities	254,224	(4,420)
Net decrease in cash and cash equivalents	(253,782)	(72,730)
Cash and cash equivalents at beginning of year	796,300	869,030
Cash and cash equivalents at end of year	$ 542,518	796,300

See accompanying notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	2017									
	Program services					Supporting services				
	Rural leadership	Rural economies	Rural voices and priorities	Networking and program development	Total	Management and general	Fundraising	Total	Total	2016
Salaries and related costs	$ 215,285	211,349	66,881	351,144	844,659	365,942	7,843	373,785	1,218,444	1,585,690
Travel	26,910	29,784	4,488	28,007	89,189	31,872	–	31,872	121,061	187,305
Catering for conferences and trainings	39,080	6,242	2,754	–	48,076	2,601	–	2,601	50,677	129,591
Consultants	27,256	80,741	12,175	33,543	153,715	29,102	–	29,102	182,817	228,150
Information technology	214	116	95	37	462	40,703	–	40,703	41,165	60,457
Occupancy and rentals	11,771	225	53	95	12,144	50,009	–	50,009	62,153	48,774
Office expenses	1,324	896	965	470	3,655	27,808	237	28,045	31,700	43,124
Curriculum materials	10,458	2,689	158	486	13,791	384	11	395	14,186	22,707
Accounting and legal fees	–	–	–	–	–	21,546	–	21,546	21,546	23,188
Depreciation and amortization	–	–	–	–	–	16,686	–	16,686	16,686	31,127
Staff development	32	600	–	1,609	2,241	6,479	–	6,479	8,720	13,903
Marketing	17	13	26	47	103	1,624	43	1,667	1,770	4,827
Insurance	–	–	–	–	–	6,444	–	6,444	6,444	6,933
Grants	5,000	–	–	–	5,000	–	–	–	5,000	122,616
Total expenses before allocation of shared costs	337,347	332,655	87,595	415,438	1,173,035	601,200	8,134	609,334	1,782,369	2,508,392
Allocation of shared costs	37,853	37,337	9,709	46,576	131,475	(132,403)	928	(131,475)	–	–
Total expenses	$ 375,200	369,992	97,304	462,014	1,304,510	468,797	9,062	477,859	1,782,369	2,508,392

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

1. Organization

Rural Development Initiatives, Inc. ("RDI") strengthens rural people, places, and economies in the Pacific Northwest.

RDI is a Pacific Northwest-based 501(c)(3) nonprofit established in 1991 with headquarters in Eugene, Oregon. RDI's main priorities include developing networks of rural leaders, revitalizing rural economies and elevating rural voices and priorities. RDI strives to help rural people and communities achieve their visions and goals and holds the uncompromised belief that solutions and priorities, driven by local people, are key to achieving them.

RDI facilitates collaboration among neighboring regions, innovative partners, and resource providers to achieve strong and sustainable rural communities. RDI provides the training, networking opportunities, and connection to resources to help rural communities thrive. Since its inception, RDI has trained, planned with, and supported over 10,000 rural leaders working for community and economic vitality from more than 350 rural communities throughout the Pacific Northwest.

2. Program Services

During the year ended December 31, 2017, RDI incurred program service expenses in the following major categories:

Develop Networks of Rural Leaders – *Services that provide capacity-building and educational activities for individuals in rural communities.* RDI's work ensures there is a critical mass of rural leaders in the Pacific Northwest who are diverse, inclusive, highly skilled, and well connected. Rural people take the lead on issues, projects, and with organizations possessing impacts that mean the most to them.

Revitalize Rural Economies – *Services that move communities and regions to action and implement innovative strategies to build community wealth, jobs, and prosperity.* RDI supports residents of rural communities who are actively working to improve the economic well-being of their communities by strengthening local businesses, fostering productive economic development ecosystems, enhancing local markets, and attracting investment. RDI's responsive Rural Economy services include WealthWorks Northwest, Pasos al Éxito (Steps to Success), Economic Vitality Roadmaps, Business Retention and Expansion, First Impressions and Downtown Development programs.

Elevate Rural Voices and Priorities – *Customized services responsive to the needs of rural communities, organizations, and governmental agencies.* RDI demands that rural priorities and interests, shaped by a diversity of rural people, are at the forefront of statewide and regional discussions and decisions. Rural leaders, voices, and issues are equitably represented in public discourse and decision-making. Services include leveraging our resources, networks, and organizational voice to advance rural vitality, heighten the capacity of the network of rural leaders to advocate on behalf of their interests, advance and promote rural priorities, contracts for strategic planning, community visioning processes, and more.

Networking and Program Development – *Services promoting RDI as a learning and collaborative organization.* RDI provides opportunities for people who work on behalf of rural interests to come together to learn from and support each other. Additionally, RDI builds successful, flexible collaborations with partners and stakeholders to solve complex community and regional issues. These relationships support and strengthen RDI's work to benefit rural communities and work toward collective impact.

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.

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 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. As of December 31, 2017, 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, 2017.

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.

During the year ended December 31, 2017, 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.

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.

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.

RDI did not receive any appropriated endowment assets for the year ended December 31, 2017. Also see note 5.

Concentrations of Credit Risk – RDI's financial instruments consist primarily of cash equivalents 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").

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, 2017, RDI held $130,679 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.

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.

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. RDI derives its public charity status as an organization described in Section 170(b)(1)(A)(vi) of the Internal Revenue Code.

Subsequent Events – As required by FASB ASC No. 855, Subsequent Events, subsequent events have been evaluated by management through March 21, 2018, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2016 – The accompanying financial information as of and for the year ended December 31, 2016 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 Receivable

Contributions and grants receivable at December 31, 2017 represent unconditional promises to be collected in less than one year totaling $15,500.

Conditional Gifts and Grants

As of December 31, 2017, RDI had access to an additional $140,000 in grants, the receipt of which was conditioned upon the approval of certain reports and upon events occurring.

These grant revenues have not been included in the accompanying financial statements because the associated conditions had not been satisfied as of December 31, 2017.

5. 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 the fund 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, 2017, 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, 2017 are summarized as follows:

Balance at beginning of year	$	346,928
Net increase in the beneficial interest in assets held by the OCF		52,222
Balance at the end of year	$	399,150

The Fund consisted of the following at December 31, 2017:

Available for general operations	$	350,000
Board-designated endowment		43,656
Donor-restricted endowment		5,494
	$	399,150

Under the terms of its agreement with OCF, the funds are invested at the discretion of 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, 2017, RDI's Board of Directors approved a motion to request a distribution of $350,000 from the board-designated endowment held by OCF, which was approved and distributed to RDI subsequent to December 31, 2017.

6. Property and Equipment

A summary of property and equipment at December 31, 2017 is as follows:

Computer equipment and software	$	59,358
Web development costs		34,999
Furniture and equipment		1,558
Leasehold improvements		31,994
		127,909
Less accumulated depreciation and amortization		(117,193)
	$	10,716

7. 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, 2017:

Designated by Board

At December 31, 2017, $43,656 of the organization's unrestricted net assets were designated by the Board of Directors as Board-designated endowment.

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2017 represent contributions, grants, and other unexpended revenues and gains available for the following:

Rural Community Leadership	$	161,220
Pasos al Éxito		57,949
Rural Economic Vitality		49,618
Capacity Building		30,000
Diversity, Equity, and Inclusion		30,705
Other programs		7,582
Unappropriated endowment earnings		1,494
	$	338,568

Permanently Restricted Net Assets

At December 31, 2017, 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, 2017:

		Donor-restricted endowment			Unrestricted	
		Temporarily restricted	Permanently restricted	Total	Board-designated endowment	Total endowment
Endowment net assets at beginning of year	$	775	4,000	4,775	342,153	346,928
Appropriation by Board for expenditure		–	–	–	(350,000)	(350,000)
Net increase in the beneficial interest in assets held by the Oregon Community Foundation		719	–	719	51,503	52,222
Endowment net assets at end of year *(note 5)*	$	1,494	4,000	5,494	43,656	49,150

8. Grants and Contributions

Grants and contributions received during the year ended December 31, 2017 are summarized as follows:

Foundations and corporations	$ 1,008,000
Government	133,234
Individuals and corporations	35,890
	$ 1,177,124

9. Net Assets Released from Restrictions

During the year ended December 31, 2017, net assets totaling $929,750 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, 2017, contract and program revenues consisted of the following sources:

The Ford Family Foundation	$ 89,687
Other contracts	28,866
Other program fees	11,895
	$ 130,448

Significant Sources of Revenue

During the year ended December 31, 2017, RDI received of a total of $642,187 (consisting of contract revenue above and $552,500 in grants, together representing approximately 47% of RDI's total revenues) in contract fees and grants from The Ford Family Foundation.

Deferred Revenue

At December 31, 2017, the organization held $4,650 in contract fees that were received in advance of service deliveries.

11. 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.

12. Contingencies

Certain amounts received or receivable under the organization's governmental 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.

13. Operating Lease Commitments

The organization leases its administrative offices and certain office equipment under operating leases with various expiration dates through December of 2018. Minimum future lease payments under these operating leases as of December 31, 2017 total $31,280.

Rent expense for the above leases for the year ended December 31, 2017 totaled $44,006.

14. 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, 2017 totaled $25,342.

15. 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, 2017, the organization had a deposit balance in the plan of $6,812, reported among prepaid expenses and other assets. As of December 31, 2017, RDI has recorded an estimated liability for future claim costs totaling $22,502.

16. 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, 2017, RDI's beneficial interest in assets held by OCF is considered to be a Level 3 financial instrument. See note 5 for a summary of the beneficial interest in assets held by OCF and the associated activity for the year ended December 31, 2017.

17. 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	$ (415,087)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation and amortization	16,686
Net increase in beneficial interest in assets held by the Oregon Community Foundation	(52,222)
Gain on the sale of capital assets	(980)
Net changes in:	
Grants receivable	49,500
Accounts receivable	24,547
Prepaid expenses and other assets	(382)
Accounts payable and accrued expenses	(18,580)
Accrued payroll and related expenses	(2,388)
Deferred revenue	(109,100)
Total adjustments	(92,919)
Net cash used in operating activities	$ (508,006)

18. Reclassification of 2016 Comparative Totals

Certain 2016 amounts presented herein have been reclassified to conform to the 2017 presentation.

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GOVERNING BOARD AND MANAGEMENT

Board of Directors

Melissa Cribbins, *Chair*

Erik Andersson, *Vice Chair*

Cheryl Morgan, *Treasurer*

Gustavo Morales, *Secretary*

Amanda Hoey

Mike McLaughlin

Maui Meyer

Mark Nystrom

Scott Reed

Taylor Sarman

Erubiel Valladares Carranza, II

Management

Heidi Khokhar
Executive Director

Dhenuka Hoffman
Director of Finance & Administration

INQUIRIES AND OTHER INFORMATION

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