



**Gary McGee & Co. LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

## **Oregon Historical Society**

Consolidated Financial Statements and Other Information  
as of and for the Year Ended December 31, 2011  
and Report of Independent Accountants

OREGON HISTORICAL SOCIETY AND SUBSIDIARY

TABLE OF CONTENTS

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	Page
Report of Independent Accountants	2
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	8
Notes to Consolidated Financial Statements	9
Other Information:	
Governing Board, Ex Officio Members of the Board, and Senior Management	24
Inquiries and Other Information	25


REPORT OF INDEPENDENT ACCOUNTANTS

*The Board of Directors  
Oregon Historical Society:*

We have audited the accompanying consolidated statement of financial position of the Oregon Historical Society as of December 31, 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Oregon Historical Society's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the consolidated financial statements of the Oregon Historical Society as of December 31, 2010 and, in our report dated March 18, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Oregon Historical Society's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Oregon Historical Society as of December 31, 2011, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.



March 22, 2012

OREGON HISTORICAL SOCIETY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2011

(WITH COMPARATIVE AMOUNTS FOR 2010)

	2011	2010
<b>Assets:</b>		
Cash and cash equivalents	\$ 2,796,692	1,795,253
Short-term investments	–	1,151,722
Contributions and grants receivable <i>(note 4)</i>	2,608,294	152,605
Accounts receivable	10,101	16,434
Prepaid expenses	102,465	113,497
Inventories	46,840	56,426
Other assets	108,952	110,111
Beneficial interest in assets held by the Oregon Community Foundation <i>(note 5)</i>	6,929,438	7,236,023
Beneficial interest in charitable trusts <i>(note 6)</i>	517,747	539,557
Land, buildings, and equipment <i>(notes 7 and 9)</i>	9,628,804	9,903,058
<hr/>		
Collections <i>(note 8)</i>		
Total assets	\$ 22,749,333	21,074,686
<hr/>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	217,607	211,159
Deferred revenue	3,052	10,951
Liability to trust beneficiaries <i>(note 6)</i>	24,630	33,699
Long-term debt <i>(note 9)</i>	2,638,453	2,713,891
Deferred compensation <i>(note 10)</i>	13,179	40,521
<hr/>		
Total liabilities	2,896,921	3,010,221
<hr/>		
<b>Net assets:</b>		
Unrestricted:		
Board-designated reserves <i>(note 11)</i>	1,853,259	2,060,382
Cumulative endowment losses <i>(note 11)</i>	(878,749)	(389,052)
Net investment in capital assets	6,384,923	6,611,038
Net investment in operating subsidiary <i>(note 12)</i>	833,466	763,093
<hr/>		
Total unrestricted	8,192,899	9,045,461
Temporarily restricted <i>(note 11)</i>	3,377,263	975,201
Permanently restricted for endowment <i>(note 11)</i>	8,282,250	8,043,803
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Total net assets	19,852,412	18,064,465
<hr/>		
Commitments and contingencies <i>(notes 10 and 20)</i>		
Total liabilities and net assets	\$ 22,749,333	21,074,686

See accompanying notes to consolidated financial statements.

OREGON HISTORICAL SOCIETY

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2011  
(WITH COMPARATIVE TOTALS FOR 2010)

	2011			Total	2010
	Unrestricted	Temporarily restricted	Permanently restricted		
Public support:					
Contributions and grants	\$ 852,456	504,286	—	1,356,742	1,326,198
Memberships	252,635	—	—	252,635	277,256
Multnomah County levy (note 13)	896,798	—	—	896,798	—
Other governmental funding (note 14)	356,788	45,721	—	402,509	575,206
<b>Total public support</b>	<b>2,358,677</b>	<b>550,007</b>	<b>—</b>	<b>2,908,684</b>	<b>2,178,660</b>
Revenues and gains:					
Admissions	134,876	—	—	134,876	155,970
Product sales	232,956	—	—	232,956	232,678
Program income	29,205	—	—	29,205	48,200
Rental income	619,317	—	—	619,317	639,713
Investment income	38,036	—	—	38,036	21,147
Other	85,667	365	—	86,032	157,753
<b>Total operating revenues and gains</b>	<b>1,140,057</b>	<b>365</b>	<b>—</b>	<b>1,140,422</b>	<b>1,255,461</b>
Appropriation of endowment assets for expenditure (note 11)	300,824	35,862	—	336,686	362,706
Net assets released from restrictions for operating purposes (note 15)	586,563	(586,563)	—	—	—
<b>Total operating revenues, gains, and other support</b>	<b>4,386,121</b>	<b>(329)</b>	<b>—</b>	<b>4,385,792</b>	<b>3,796,827</b>
Expenses (note 16):					
Program services	3,083,044	—	—	3,083,044	2,881,226
Supporting services	1,215,909	—	—	1,215,909	1,446,203
Jefferson-Madison Corporation	549,647	—	—	549,647	564,913
<b>Total expenses</b>	<b>4,848,600</b>	<b>—</b>	<b>—</b>	<b>4,848,600</b>	<b>4,892,342</b>
<b>Net operating results</b>	<b>\$ (462,479)</b>	<b>(329)</b>	<b>—</b>	<b>(462,808)</b>	<b>(1,095,515)</b>

Continued

OREGON HISTORICAL SOCIETY

CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED DECEMBER 31, 2011  
(WITH COMPARATIVE TOTALS FOR 2010)

	2011			Total	2010
	Unrestricted	Temporarily restricted	Permanently restricted		
Non-operating activities:					
Endowment gifts	\$ —	—	246,531	246,531	—
Contributions restricted for capital acquisition	—	59,700	—	59,700	—
State appropriation restricted for debt retirement ( <i>notes 4, 9 and 14</i> )	—	2,500,000	—	2,500,000	—
Net change in the beneficial interest in assets held by the Oregon Community Foundation ( <i>note 5</i> )	(188,873)	(27,557)	—	(216,430)	782,365
Net change in the fair value of split-interest agreements	—	(4,657)	(8,084)	(12,741)	(39,640)
Net gain on the sale of collection items ( <i>note 8</i> )	—	10,381	—	10,381	—
Appropriation of endowment assets for expenditure ( <i>note 11</i> )	(300,824)	(35,862)	—	(336,686)	(362,706)
Net assets released from restrictions for capital acquisition ( <i>note 15</i> )	99,614	(99,614)	—	—	—
Total non-operating activities	(390,083)	2,402,391	238,447	2,250,755	380,019
Increase (decrease) in net assets	(852,562)	2,402,062	238,447	1,787,947	(715,496)
Net assets at beginning of year	9,045,461	975,201	8,043,803	18,064,465	18,779,961
Net assets at end of year	\$ 8,192,899	3,377,263	8,282,250	19,852,412	18,064,465

See accompanying notes to consolidated financial statements.

OREGON HISTORICAL SOCIETY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2011  
(WITH COMPARATIVE TOTALS FOR 2010)

	Program services			
	Research services	Exhibits	Education	Total
Salaries and related costs	\$ 488,143	707,729	221,127	1,416,999
Professional services	2,390	346,095	10,143	358,628
Supplies	9,291	19,746	4,648	33,685
Printing	7,776	17,659	34,312	59,747
Telephone	—	440	—	440
Computer and network	—	—	547	547
Postage and shipping	4,248	12,806	11,628	28,682
Rental of equipment	946	8,952	—	9,898
Repair, maintenance, and utilities	—	—	—	—
Travel and transportation	10,204	23,276	15,256	48,736
Training, subscriptions, and dues	—	1,780	192	1,972
Advertising and promotion	11,785	23,826	16,374	51,985
Production and purchase costs	—	91,922	2,232	94,154
Collection acquisition costs ( <i>note 8</i> )	14,478	—	—	14,478
Insurance	—	—	328	328
Taxes ( <i>note 17</i> )	—	—	—	—
Interest	—	—	—	—
Other	—	12,375	407	12,782
<b>Total expenses before depreciation and allocation of facility, security, communication, and other program support costs</b>	<b>549,261</b>	<b>1,266,606</b>	<b>317,194</b>	<b>2,133,061</b>
Depreciation	184,473	296,586	13,102	494,161
Allocation of facility, security, communication, and other program support costs	163,184	275,640	16,998	455,822
<b>Total expenses</b>	<b>\$ 896,918</b>	<b>1,838,832</b>	<b>347,294</b>	<b>3,083,044</b>

See accompanying notes to consolidated financial statements.

2011

Supporting services			Jefferson-Madison Corporation	Total	2010
Admini- stration	Fund- raising	Total			
675,409	177,505	852,914	–	2,269,913	2,116,090
121,238	6,882	128,120	206,491	693,239	636,949
30,127	7,318	37,445	988	72,118	145,082
5,077	24,630	29,707	–	89,454	85,657
20,490	–	20,490	6,153	27,083	27,032
71,871	–	71,871	–	72,418	84,983
2,329	13,544	15,873	277	44,832	121,858
23,469	–	23,469	–	33,367	38,440
148,410	–	148,410	205,888	354,298	348,366
5,651	44,603	50,254	–	98,990	84,630
5,118	–	5,118	–	7,090	10,928
3,521	–	3,521	2,190	57,696	106,546
–	5,000	5,000	–	99,154	108,253
–	–	–	–	14,478	18,615
51,786	–	51,786	12,999	65,113	69,204
10,755	–	10,755	64,189	74,944	100,321
158,457	–	158,457	4,047	162,504	164,294
14,187	4,443	18,630	7,618	39,030	47,226
1,347,895	283,925	1,631,820	510,840	4,275,721	4,314,474
24,874	15,037	39,911	38,807	572,879	577,868
(474,711)	18,889	(455,822)	–	–	–
898,058	317,851	1,215,909	549,647	4,848,600	4,892,342



OREGON HISTORICAL SOCIETY

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2011  
(WITH COMPARATIVE TOTALS FOR 2010)

	2011	2010
Cash flows from operating activities:		
Cash received from contributors, grantors, and members	\$ 2,912,108	2,203,560
Cash received from admissions and service recipients	395,471	447,555
Investment income received	38,036	21,147
Distribution of investment return earned on assets held by the Oregon Community Foundation ( <i>note 5</i> )	336,686	317,263
Other receipts	715,730	797,466
Cash paid to employees and suppliers	(4,073,708)	(4,067,539)
Cash paid for interest	(160,243)	(159,728)
Net cash provided by (used in) operating activities	164,080	(440,276)
Cash flows from investing activities:		
Purchase of capital assets	(298,625)	(152,356)
Purchase of investments	-	(1,750,000)
Proceeds from the sale and maturity of short-term investments	1,160,854	2,937,976
Transfer of funds to the Oregon Community Foundation ( <i>note 5</i> )	(246,531)	(177,276)
Reinvestment of investment income	(6,201)	(1,672)
Net cash provided by investing activities	609,497	856,672
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment and capital acquisition	306,231	-
Proceeds from the issuance of long-term debt	-	85,000
Payments to trust beneficiaries	(2,931)	(2,005)
Retirement of long-term debt	(75,438)	(57,480)
Net cash provided by financing activities	227,862	25,515
Net increase in cash and cash equivalents	1,001,439	441,911
Cash and cash equivalents at beginning of year	1,795,253	1,353,342
Cash and cash equivalents at end of year	\$ 2,796,692	1,795,253

See accompanying notes to consolidated financial statements.

OREGON HISTORICAL SOCIETY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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1. Organization

The Oregon Historical Society has been collecting, preserving, exhibiting, and publishing Oregon's history for over 100 years. The Society's mission is preserving and interpreting Oregon's past in thoughtful, illuminating and provocative ways. To achieve this mission, the organization fulfills a vast array of services for the State. One of the primary functions is protecting and archiving historical Oregon treasures. Oregonians can experience these artifacts through websites such as TimeWeb and The Oregon History Project, by visiting the Society's Research Library, through educational programs that include classroom tours, and through the exhibitions at the Oregon History Museum.

Today, the Society's complex is a landmark in the heart of Portland's Cultural District, and offers Oregon's rich multicultural history through museum exhibitions, research collections, publications, and public programs. The Park Blocks facility also serves as the Society's headquarters, housing the history museum's multiple galleries, the research library, and the Society's administrative offices, as well as the education program.

The Society also owns and operates a 100,000 square-foot collections support facility in east Multnomah County, where the bulk of its collections are processed and managed for exhibition and research use, one of the best such facilities in the United States.

The Society currently enjoys a membership of approximately 4,100 members.

2. Program Services

During the year ended December 31, 2011, the Society incurred program service expenses in the following major categories:

Research Services – The Research Library of the Oregon Historical Society offers an unparalleled collection concerning the history of Oregon and the region. It contains more than 35,000 books, 25,000 maps, 2.5 million photographs and negatives, 8 million feet of film, 8,000 oral history tapes, and 12,000 linear feet of manuscript material.

These collections, along with thousands of serials, journals, newsletters, government documents, posters, and microfilm materials, broaden and enrich the understanding and interpretation of the cultural, political, religious, social, economic, scientific, and technological life in Oregon. In 2011, the Research Library, operating 12 hours a week from January to June, and 32 hours a week from July through December, served over 1,516 patrons in person and 3,282 remote reference inquiries via mail and electronic media from all over the world.

The Society's library staff has cataloged thousands of books, ephemera, oral histories, manuscripts, and image collections, and made them available on the Society's Web site for easy access by patrons. The Library has over 30,000 digitized photographs from its collection, and now has over 3,000 digital images available to order online via the Society's Web site. The Research Library provides research support to all Society programs and departments.

Exhibits – The Society collects, preserves, documents, and exhibits the state’s material culture with more than 85,000 artifacts. Its major permanent exhibition, *Oregon My Oregon*, has won two national awards – an Award of Merit from the American Association for State and Local History, and a MUSE award from the American Association of Museums Media and Technology Committee. The Society mounts eight to ten traveling and temporary exhibitions on varied themes per year. The on-site exhibits are shown in its seven galleries. The Society also loans objects to more than 30 historical institutions on a yearly basis. In 2011, 46,159 visitors came to the Oregon Historical Society to view its exhibits and participate in various programs.

The Society publishes the OREGON HISTORICAL QUARTERLY, which has been a benefit of membership since 1900. The QUARTERLY is a peer-reviewed, public history journal that brings documented history about Oregon and the Pacific Northwest to both scholars and a general audience. The QUARTERLY is supported by an advisory committee comprised of scholars, public historians, and educators from throughout the state.

Education – In 2001, the Society began a dynamic education program, the *Teaching Oregon History Project*. Using the rich resources of the Society’s research library and archives, the project identifies primary source materials that engage the imaginations and intellects of Oregon’s students. Narratives, documents, biographies, lesson plans, and curricula are made available through the Society’s Web site and in print. In addition, the Society distributes existing curriculum materials to public and private schools in Oregon, including artifact kits and slide shows; it arranges school tours of the museum galleries and library; and presents education workshops. The *Oregon History Project* received the CLIO Award from the American Library Association, and two national awards from the National Council of State Historic Preservation Officers. The Education program served 9,407 students from some 255 different schools and various youth groups in 2011, 573

college tours and 625 adults in docent led tours (these numbers are included in the overall visitation numbers previously stated).

Affiliates – The Society works closely with more than 130 affiliate societies and historical museums located throughout the state to provide information and technical support in historical agency management activities, and works with and supports the Oregon Century Farm & Ranch Program, the Oregon Geographic Names Board, the Oregon Cultural Trust, and the Oregon Heritage Commission.

### 3. Summary of Significant Accounting Policies

The significant accounting policies followed by the Oregon Historical Society 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.

Principles of Consolidation – The accompanying financial statements include the accounts of the Society and its wholly-owned, for-profit subsidiary, the Jefferson-Madison Corporation. All significant intercompany investments, accounts, and transactions have been eliminated.

The accompanying financial statements do not include the accounts of the Oregon Historical Society-UK Trust, a separately-governed entity with registered offices in England and Wales. The Society does not control or direct the actions of the Trust.

Basis of Presentation – The Society 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 Society and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Society and/or the passage of time. These balances represent the unexpended portion of externally restricted contributions and investment return to be used for specific programs and activities, such as exhibitions, education programs, or research, as directed by the donor.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Society. Generally, the donors of these assets permit the Society to use all or part of the income earned on related investments for general or specific purposes.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, such differences, if any, would not be significant.

Contributions – Contributions, which include unconditional promises to give (i.e., pledges), are recognized as revenue in the period the promise was received by the Society. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Management estimates an allowance for uncollectible contributions receivable based on past collection history.

Contributions of capital assets without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire capital assets with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

In-Kind Contributions – Significant services received which create or enhance a non-financial asset or require specialized skills that the Society would have purchased if not donated are recognized in the statement of activities. During the year ended December 31, 2011, the Society recorded \$6,274 in donated professional services, \$15,201 in donated advertising, and \$16,172 in donated fundraising services.

In-kind donations of equipment and other materials are recorded when there is an objective basis upon which to value the contribution and where the contribution is an essential part of the Society's activities. During the year ended December 31, 2011, the Society recorded \$7,399 in donated materials.

Cash Equivalents – For purposes of the financial statements, the Society considers all liquid investments having initial maturities of three months or less to be cash.

Beneficial Interest in Assets Held by the Oregon Community Foundation – In accordance with FASB ASC No. 958-605, *Revenue Recognition*, the Society accounts for its interest in these funds at fair value using the equity method of accounting, which approximates the present value of the expected future cash flows that will inure to the Society.

Inventories – Inventories, which consist primarily of inventories held for sale by the Society's gift shop, are carried at the lower of cost or market value. Cost is determined using the average cost method.

Capital Assets and Depreciation – Land, buildings, and equipment are carried at cost, and at market value when acquired by gift. Depreciation is generally provided on a straight-line basis over the estimated useful lives of the respective assets, which is 31 years for buildings and related improvements and 3 to 7 years for furniture and equipment.

Revenue Recognition – All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Service revenues are recognized at the time services are provided and the revenues are earned. Bequests are recorded as revenue at the time the Society has an established right to the bequest and the proceeds are measurable. Membership payments received from Society members are considered equivalent to unrestricted contributions and are recognized as revenue when received. Appropriations and other governmental funding is recognized as revenue when received.

Outstanding Legacies – The Society is the beneficiary under various wills and trust agreements, the total realizable amounts of which are not presently determinable. The Society's share of such bequests is recorded when the probate courts declare the testamentary instrument valid and the proceeds are measurable.

Beneficial Interest in Charitable Trusts – The Society receives contributions of property in which the donor or donor-designated beneficiary may retain a life interest. The assets are invested and administered by either a trustee or the Society, and distributions are made to the beneficiaries during the term of the agreement. These funds are generally invested in mutual funds, and the Society records its interest in these trusts at fair value based on estimated future cash receipts. Initial recognition and subsequent adjustments to the assets' carrying values are reported as a change in the value of split-interest trusts in the accompanying financial statements, and are classified as permanently restricted, temporarily restricted, or unrestricted depending on the existence of donor-imposed purpose or time restrictions, if any.

Obligations Under Split-Interest Agreements – Obligations under split-interest agreements are recorded when incurred at the present value of the distributions to be made to the donor-designated beneficiaries. Distributions are paid over the lives of the beneficiaries or another specified period. Present values are determined using discount rates established by the Internal Revenue Service and actuarially determined expected lives. Obligations under split-interest agreements are revalued annually at December 31 to reflect actual experience; the discount rate is not changed. The net

reevaluations, together with any remaining recorded obligations after all trust or gift obligations under terminated agreements have been satisfied, are recorded as net changes in the value of split-interest agreements.

Advertising and Promotional Expenses – Advertising and promotional costs are charged to expense as they are incurred. Advertising expenses totaled \$57,696 for the year ended December 31, 2011.

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 Society 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 Society has a long-term fiduciary duty to the donor (and to others) for a fund of perpetual duration, the preservation of the endowment’s purchasing power is only one of several factors that are considered in managing and investing these funds. Furthermore, in accordance with UPMIFA, a portion of the endowment’s original gift may be appropriated for expenditure in support of the restricted purposes of the endowment if this is consistent with a spending policy that otherwise satisfies the requisite standard of prudence under UPMIFA.

As a result of this interpretation, the Society 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 Society 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 Society to hold in perpetuity. Similarly, the amount of permanently restricted net assets is not reduced by the Society’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 Society 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 Society; and
- The investment policies of the Society.

To meet that objective, the Society's policies limit the spending of investment income and appreciation to a maximum of 5.0% of the average fair value of such investments measured over a thirteen-quarter trailing average.

During the year ended December 31, 2011, the Society's Board appropriated \$336,686 for expenditure.

**Concentrations of Credit Risk** – The Society's financial instruments consist primarily of cash equivalents and funds held at the Oregon Community Foundation. These financial instruments may subject the Society to concentrations of credit risk as, from time to time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC"), the market value of securities are dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values.

All interest bearing checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC for up to \$250,000 per depositor, per insured bank, for each account ownership category. In addition, Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act provides depositors with temporary unlimited coverage for noninterest-bearing transaction accounts. This unlimited protection became effective on December 31, 2010 and terminates on December 31, 2012. To address this risk, the Society has entered into an insured cash sweep account ("ICS") agreement. Through this agreement, funds are

placed at ICS network participating banks in FDIC insured accounts. This guarantee received provides that the Society's deposits are held in increments of less than the standard FDIC insurance maximum to ensure that both principal and interest are eligible for full FDIC protection.

Certain receivables may also subject the Society to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, the Society'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 Society's beneficial interest in assets held by the Oregon Community Foundation ("OCF") is dependent upon changes in the market value of the underlying investments and the ability of OCF to honor its commitment.

**Subsequent Events** – As required by FASB ASC No. 855, *Subsequent Events*, subsequent events have been evaluated by management through March 22, 2012, which is the date the financial statements were available to be issued.

**Conflict of Interest Policies** – Included among the Society's Board members, committee members, and executives are volunteers from the community who provide valuable assistance to the Society in the development of policies and programs, and in the evaluation and oversight of services. The Society has established a conflict of interest policy whereby Board and committee members, as well as all Society employees, must advise the Board of Directors of any direct or indirect interest in any transaction or relationship with the Society, and do not participate in discussions and decisions regarding any action affecting their individual, professional, or business interests.

Income Taxes – The Society is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and comparable state law. In addition, the Society has been recognized as a public charity under IRC Sections 170(b)(1)(A)(vi) and 509(a)(1). The Society’s wholly-owned subsidiary, the Jefferson-Madison Corporation, is a taxable corporation and, therefore, a provision for income taxes is generally provided in the statement of activities. Income taxes are determined on the liability method in accordance with FASB ASC No. 740, *Income Taxes*. For tax purposes both the Society’s and the Jefferson-Madison Corporation’s open audit periods are for the years ended December 31, 2008 through December 31, 2010.

The Society has adopted the recognition requirements for uncertain income tax positions as required by FASB ASC No. 740-10, *Income Taxes*. Under this standard, income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities.

The Society has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Society believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Society’s financial condition, results of operations, or cash flows. Accordingly, the Society has not recorded any reserves, or related accruals for interest and penalties for uncertain tax positions at December 31, 2011.

Operating Results – Results from operations in the statement of activities reflect all transactions increasing or decreasing unrestricted net assets except for investment income in excess of the Society’s spending policy, gifts restricted by donors and net assets released from restrictions for the acquisition of long-lived assets or debt retirement, endowment gifts and gifts designated by the Board of Directors for long-term investment, changes in the value of split-interest agreements, and gains and losses on the sale long-lived assets and collection items that are incidental or peripheral to central operations.

Summarized Financial Information for 2010 – The accompanying financial information as of and for the year ended December 31, 2010 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. Contributions and Grants Receivable

Contributions and grants receivable are summarized as follows at December 31, 2011:

<i>Unconditional promises expected to be collected within:</i>	
Less than one year <sup>1</sup>	\$ 2,583,294
One year to five years	25,000
	\$ 2,608,294

<sup>1</sup> \$2,500,000 of this total represents an appropriation from the State of Oregon of lottery bond funds, which was signed into law in July of 2011, and is restricted to the retirement of long-term debt. See notes 9 and 14.

As of December 31, 2011, the Society had been awarded three conditional grants. Two of the awards, totaling \$187,089, represent government grants, the receipt of which is conditioned upon the incurrence of allowable costs. The third award, in the amount of \$10,000, is a private contribution, the receipt of which is conditioned upon including a specific collection item in a permanent exhibit. These awards have not been recorded in the accompanying financial statements because the associated conditions had not been satisfied as of December 31, 2011.



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

In 2007, the Society established the Oregon Historical Society Endowment Fund at the Oregon Community Foundation. The assets in the fund are permanently restricted for endowment.

Changes in the Society's beneficial interest in these funds for the year ended December 31, 2011 are summarized as follows:

Balance at beginning of year	\$ 7,236,023
Plus additions to the fund	246,531
Less decrease in the fair market value of the fund	(216,430)
Less the distribution of investment return to the Society <sup>1</sup>	(336,686)
Balance at end of year	\$ 6,929,438

<sup>1</sup> Under the terms of its agreement with the Society, OCF maintains variance power over, and legal ownership of, these funds. The funds are invested at the discretion of OCF's Board of Directors and are held in a mixture of asset classes designed to maximize return while minimizing risk. OCF's target asset allocation at December 31, 2011 was as follows: 40% equities (both domestic and international); 15% fixed income; 20% marketable alternative investments; 10% private equity; and 15% inflation hedge investments. The valuations disclosed in the above table have been provided by OCF. The Society generally receives periodic distributions of the net investment return earned on these assets (generally 5.0% of the average fair market value of the funds using a trailing 13-quarter average). Additional distributions can be made at any time by the affirmative vote of a majority of the Society's Board of Directors and the approval of OCF. During the year ended December 31, 2011, the Society received \$336,686 in distributions.

6. Beneficial Interest in Charitable Trusts

At December 31, 2011, the Society is the beneficiary of a number of charitable trusts as follows:

Contributions receivable from charitable remainder trusts <sup>1</sup>	\$ 219,191
Interest in perpetual trust <sup>2</sup>	179,005
Assets held in trust <sup>3</sup>	119,551
	\$ 517,747

<sup>1</sup> The Society is the partial beneficiary of two charitable remainder trusts established by the wills of donors. Upon the deaths of the income beneficiaries, the Society will receive a portion of the remaining assets of each of the trusts. Total trust assets at December 31, 2011 are valued at \$1,310,539. A contribution receivable of \$219,191 is recorded at December 31, 2011, representing the actuarially determined present value of the estimated future cash flows that will inure to the Society, using discount rates ranging from 4.0 to 5.0%. Of the trusts, one representing \$203,528 of the total receivable (for which the Society receives 40% of the distributions) has been restricted by the donor to be added to the existing endowment fund. The second trust (for which the Society receives 16.67% of the distributions) is unrestricted.

<sup>2</sup> The Mason Charitable Trust is a perpetual trust established by David T. Mason and Loa H. Howard Mason. The Society will receive in perpetuity a percentage of the income generated annually by the trust subject to the discretion of the trustee, but not less than 20% and not exceeding 40%. Trust assets at December 31, 2011 are valued at \$895,023. An interest in perpetual trust of \$179,005 is recorded at December 31, 2011, representing the present value of the estimated future cash flows that will inure to the Society, presuming a payout percentage of 20%. During the year ended December 31, 2011, the Society received a distribution of \$16,227 from this trust. This distribution has been included in investment income in the statement of activities.

<sup>3</sup> The Society is the trustee and the remainderman of the Jubitz Charitable Remainder Unitrust, established by Monroe A. Jubitz in 1993. The terms of the trust agreement require that the income earned by the trust's assets be paid annually to the trust's beneficiaries up to a maximum annual payout of 8.5% of the trust's fair market value. After 20 years, the Society will receive the remainder of the trust's assets for endowment purposes. At December 31, 2011, the trust's assets were invested in balanced fund mutual funds and valued at \$119,551. The Society has also reported a liability to the trust's beneficiaries totaling \$24,630, which represents the present value of the future payments to be made, using a discount rate of 8.5%.

## 7. Land, Buildings, and Equipment

A summary of the Society's capital assets at December 31, 2011 is as follows:

Land	\$ 1,269,349
Buildings and related improvements	17,040,050
Furniture and equipment	2,354,597
	<hr/>
	20,663,996
Less accumulated depreciation	(11,035,192)
	<hr/>
	\$ 9,628,804
	<hr/>

## 8. Collections and Exhibition Costs

Each year, the Society receives the donation of a number of valuable research collections. As a result, the Society's collections contain thousands of rare books, pamphlets, manuscripts, maps, and photographs, which are held for public exhibition, education, or research in furtherance of public services and the Society's overall mission.

Consistent with the policy followed by many museums and historical societies, and as permitted under FASB ASC No. 958-605, *Revenue Recognition*, contributions of historical treasures, artifacts, and similar assets held as part of the Society's collections are not recognized or capitalized in the financial statements. Such items that have been acquired through purchase have similarly not been capitalized. For the year ended December 31, 2011, costs associated with the acquisition of collection items totaled \$14,478. In addition,

pursuant to the Society's policy, proceeds from the sale of collection items and related insurance settlements are recorded as temporarily restricted net assets for the acquisition or the care of the collection. During the year ended December 31, 2011, the Society recognized \$10,381 in gains associated with the sale of collection items.

Expenditures for exhibits and exhibition programs are not capitalized, nor are the costs associated with exhibitions and programs that will not open to the public until a future period. During the year ended December 31, 2011, the Society incurred costs totaling \$191,844 associated with the fabrication of "Oregon Voices," a new permanent exhibit, expected to open in 2012.

## 9. Long-Term Debt

The Society's long-term debt at December 31, 2011 is summarized as follows:

State Farm Bank <sup>1</sup>	\$ 2,564,181
City of Portland <sup>2</sup>	12,387
Bank of Oswego <sup>3</sup>	61,885
	<hr/>
	\$ 2,638,453

<sup>1</sup> On December 22, 2004, the Society issued a note to State Farm Bank in return for \$3.0 million in debt proceeds. The debt is secured by the Society's warehouse. In January of 2010, the Society exercised an option to extend the note to January of 2015. The terms of the loan call for monthly payments of \$17,122, including both principal and interest at 6.0% beginning on February 1, 2010 through December of 2014. A balloon payment of \$2,395,005 is due in January 2015. Interest expense associated with this debt for the year ended December 31, 2011 totaled \$155,490. At December 31, 2011, a balance of \$2,564,181 was outstanding under this agreement. During the year ended December 31, 2011, the Society secured \$2,500,000 in state appropriated lottery bond funds restricted to the repayment of this loan. The Society expects to receive the funds no later than May of 2012, at which time the Society will retire all amounts outstanding on this loan.

<sup>2</sup> In addition, on November 12, 2009, the Society entered into four unsecured agreements with the City of Portland totaling \$22,529 to pay certain Portland Mall Revitalization Assessments over a period of 10 to 20 years. The terms of the agreements include monthly payments varying from \$19 to \$101 in principal and at 6.75% variable interest beginning in December of 2009 and ending in December of 2029. Interest expense associated with these agreements for the year ended December 31, 2011 totaled \$707. During the year ended December 31, 2011 the Society retired three of the loans. The remaining loan matures in December of 2029. At December 31, 2011, a balance of \$12,387 was outstanding under this agreement.

<sup>3</sup> Finally, on June 24, 2010, Jefferson-Madison entered into an unsecured loan agreement totaling \$85,000 at 5.5% interest. The terms of the agreement call for monthly payments of \$1,627 in principal and interest beginning in July of 2010 and ending in June of 2015. Interest expense associated with this debt for the year ended December 31, 2011 totaled \$4,047. At December 31, 2011, a balance of \$61,885 was outstanding under this agreement.

Aggregate maturities of note principal on all debt for the five years subsequent to December 31, 2011 and thereafter are as follows:

<i>Years Ending December 31,</i>	
2012	\$ 69,899
2013	74,153
2014	78,652
2015	2,405,020
2016	489
Thereafter	10,240
	<hr/>
	\$ 2,638,453

## 10. Retirement Plan and Deferred Compensation Arrangements

The Society provides substantially all full-time, and certain part-time, employees with a tax-sheltered annuity plan as described under Section 403(b) of the Internal Revenue Code. The Society matches 100% of each eligible employee's contribution to the plan up to 6.5% of their total annual compensation. Only employees who have completed at least six consecutive months of work at the Society are eligible to participate in the employer-matching part of the plan. All employees may make voluntary contributions to the plan on a pre-tax basis, up to the limits allowed by law, from their first day of employment. Employees select from among several investment options. Contributions to the plan from both the employees and the Society vest as accrued. Society contributions to the plan totaled \$81,181 for the year ended December 31, 2011.

In addition, the Society has entered into two deferred compensation agreements with retired executives. Under both agreements, the annual benefit has been determined by a formula which includes years of service, final average salary, and

offsets for Society-funded portions of Social Security and employee contributions to the tax-sheltered annuity. The benefits are to be paid over the lives of the executives or their surviving spouses. Both agreements are unfunded at December 31, 2011. At December 31, 2011, the present value of future payments under these agreements totals \$13,179.

#### 11. Restrictions and Limitations on Net Asset Balances

The following provides information about restrictions and limitations ascribed to the Society's net assets at December 31, 2011:

##### *Board-Designated Reserves*

As of December 31, 2011, the Board of Directors had designated \$1,853,259 as a reserve fund.

##### *Temporarily Restricted Net Assets*

Temporarily restricted net assets at December 31, 2011 represent \$3,377,263 in contributions, grants, and other unexpended revenues and gains available for the following:

##### *Contributions and grants:*

Debt retirement ( <i>notes 4, 9, and 14</i> )	\$ 2,500,000
Museum/collections	431,600
Library	187,359
Education	135,713
Technology initiative	77,690
Other programs	26,326
Charitable trusts held for operating purposes	15,663
	<hr/> 3,374,351
Endowment earnings not yet appropriated by the Board, and restricted for maritime research	2,912
	<hr/> \$ 3,377,263

##### *Permanently Restricted Net Assets*

At December 31, 2011, the Society held \$7,804,795 in donor-restricted endowment funds and \$477,455 representing the Society's beneficial interest in charitable trusts. The investment return generated each year associated with these permanently restricted net assets is either unrestricted or restricted by donors for the following purposes:

##### *Investment return restricted for:*

Education and Folklife	\$ 1,074,371
Museum/collections	350,000
Library	527,646
Publications	111,700
Maritime history	55,600
Unrestricted	5,685,479
	<hr/> 7,804,796
Beneficial interest in trusts (benefiting the Society's general operations) ( <i>note 6</i> )	477,454
	<hr/> \$ 8,282,250

##### *Cumulative Endowment Adjustment*

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA requires the Society to retain as a fund of perpetual duration. As of December 31, 2011, the Society had incurred cumulative investment losses on its endowment funds totaling \$878,749 in excess of unappropriated accumulated endowment earnings. Accordingly, in order to report the losses as required by FASB ASC No. 958-320, *Investments*, the excess losses and appropriations have been classified as transactions of the unrestricted net asset class and will be reinstated out of future endowment earnings.

*Continued*

### Endowment Summary

The Society's endowment consists of nine individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment are classified and reported based on the existence or absence of donor-imposed restrictions. The following summarizes the Society's endowment-related activities for the year ended December 31, 2011:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at beginning of year	\$ (389,052)	66,331	7,558,265	7,235,544
Contributions	–	–	246,531	246,531
Net change in beneficial interest in assets held by the Oregon Community Foundation	(188,873)	(27,557)	–	(216,430)
Appropriation of endowment assets for expenditure	(300,824)	(35,862)	–	(336,686)
Endowment net assets at end of year	\$ (878,749)	2,912	7,804,796	6,928,959

### 12. Jefferson-Madison Corporation

The Jefferson-Madison Corporation was organized by the Society in 1982 as a wholly-owned, for-profit corporation to hold and manage certain rental property owned by the Society. Condensed financial information for this subsidiary as of and for the year ended December 31, 2011, excluding inter-company eliminations, is as follows:

<i>Assets:</i>	
Cash	\$ 261,518
Land, buildings, and equipment, net	679,700
Other assets	9,362
<b>Total assets</b>	<b>\$ 950,580</b>
<i>Liabilities and net assets:</i>	
Inter-organizational payable, net	34,314
Long-term debt	61,885
Other liabilities	20,915
Net assets	833,466
<b>Total liabilities and net assets</b>	<b>\$ 950,580</b>
<i>Operating results:</i>	
Increase in net assets	\$ 70,373

### 13. Multnomah County Levy

With the passage of Measure 26-118 in November of 2010, Multnomah County voters agreed to a five-year levy which will permit the Society to revitalize certain services on behalf of County residents and others. Annual funding from the levy is estimated to total between \$1.8 million and \$2.0 million in revenues beginning in July of 2011. In return, the Society has agreed to increase its weekly library hours from 12 to 32, keep the museum open 40 hours a week, provide free admission to all school groups and to residents of Multnomah County, and provide other services and programs. During the year ended December 31, 2011 the Society received \$896,798 of levy funding.

#### 14. Other Governmental Funding

The following table summarizes the State appropriations and other governmental support received during the year ended December 31, 2011:

*For operating purposes:*

Proceeds from sales of Pacific Wonderland license plates <sup>1</sup>	\$ 227,574
Appropriation of State general funds	129,214
Grant from the Oregon Cultural Trust	45,721
	402,509

*For non-operating activities:*

State appropriation <sup>2</sup>	2,500,000
	\$ 2,902,509

<sup>1</sup> According to the legislation adopted by the Oregon legislature, proceeds from the sales of Pacific Wonderland license plates are divided evenly between the Oregon Historical Society and the Oregon State Capitol Foundation. The Society uses the funds to support the research library, educational programs for students and the general public, production of THE OREGON HISTORICAL QUARTERLY, and support of permanent and rotating museum exhibits.

<sup>2</sup> An appropriation of \$2.5 million was signed into law in July of 2011, representing the proceeds from lottery bond funds. The use of the appropriation is restricted to the retirement of long-term debt. See note 9.

#### 15. Net Assets Released from Restrictions

During the year ended December 31, 2011, \$686,177 in net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by the donors, as follows:

*Satisfaction of restrictions:*

For operating purposes	\$ 586,563
To fund capital acquisitions	99,614
	\$ 686,177

#### 16. Expenses

The costs of providing the various programs and other activities of the Society 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.

Costs by their natural classification are presented in the statement of functional expenses.

#### 17. Income Taxes

During the year ended December 31, 2011, the Society recorded \$16,519 in income tax expense. In addition, the Society reported \$58,425 in property tax payments. At December 31, 2011, the Society reported \$9,361 in income tax refunds receivable. No deferred tax assets or liabilities are reported at December 31, 2011.

#### 18. Fair Value Measurements

Included in the accompanying financial statements are certain financial instruments carried at fair value. The fair value of an asset is the amount at which that asset could be bought or sold 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. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality.

*Continued*

The Society's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by FASB ASC No. 820, *Fair Value Measurements and Disclosures*. 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 the Society's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

At December 31, 2011, the following financial assets are measured at fair value on a recurring basis:

		Level 1	Level 3	Total
Assets held in trust	\$	119,551	–	119,551
Contributions receivable from charitable remainder trusts		–	219,191	219,191
Interest in perpetual trust		–	179,005	179,005
Beneficial interest in assets held by the Oregon Community Foundation		–	6,929,438	6,929,438
	\$	119,551	7,327,634	7,447,185

The changes in valuation of Level 3 assets using significant unobservable inputs are as follows:

		Contributions receivable from charitable remainder trusts	Interest in perpetual trust	Beneficial interest in assets held by the Oregon Community Foundation	Total
Fair value at beginning of year	\$	229,131	189,875	7,236,023	7,655,029
Increase in the carrying value of contributions receivable from charitable remainder trusts		(9,940)	–	–	(9,940)
Net change in the value of a perpetual trust		–	(10,870)	–	(10,870)
Transfer of assets to the Oregon Community Foundation		–	–	246,531	246,531
Distribution of investment earnings		–	–	(336,686)	(336,686)
Net change in the beneficial interest in assets held by the Oregon Community Foundation		–	–	(216,430)	(216,430)
Fair value at end of year	\$219,191	\$ 179,005	6,929,438	7,327,634	
		[A]	[B]	[C]	

[A] Measured at fair value based upon a discounted cash flow analysis of the expected income, taking the fair value of the assets held in trust and the life expectancy of the current beneficiaries into consideration (see note 6).

[B] Measured at fair value based upon a discounted cash flow analysis of the expected income, taking the fair value of the assets held in trust into consideration (see note 6).

[C] Measured at fair value based upon a discounted cash flow analysis of the expected income, which is equivalent to the fair value of the underlying assets held by the Oregon Community Foundation. Management's estimate of fair value is based solely upon information provided by the Oregon Community Foundation (see note 5).

## 19. Subsequent Events

Subsequent to December 31, 2011, several significant events occurred:

- *Levy funding* – In January of 2012, the Society received an additional \$883,010 of levy funding.
- *Significant bequest* – On March 5, 2012, the Society received the proceeds of a \$2,000,000 unrestricted bequest.
- *Listing of building for sale* – In order to facilitate a new five-year strategic plan approved by the Board of Directors, on February 8, 2012 the Society agreed to list, and consider selling, the building owned by its Jefferson-Madison subsidiary. See note 12 for additional information about the Jefferson-Madison Corporation.

## 20. Commitments and Contingencies

The Society has entered into a several contracts regarding future exhibitions. Outstanding commitments under these contracts totaled approximately \$385,339 as of December 31, 2011.

## 21. Reclassification of 2010 Comparative Totals

Certain 2010 amounts presented herein have been reclassified to conform to the 2011 presentation.

## 22. Statement of Cash Flows Reconciliation

The following presents a reconciliation of the increase in net assets (as reported on the statement of activities) to net cash provided by operating activities (as reported on the statement of cash flows):

Increase in net assets	\$ 1,787,947
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<i>Adjustments to reconcile increase in net assets to net cash provided in operating activities:</i>	
Depreciation	572,879
Proceeds from contributions restricted for long-term investment	(246,531)
Proceeds from contributions restricted for capital acquisition	(59,700)
Cash distribution received from the Oregon Community Foundation for operational purposes	336,686
Net change in beneficial interest in assets held by the Oregon Community Foundation	216,430
Net change in the value of split-interest agreements	12,741
<i>Net changes in:</i>	
Contributions and grants receivable	(2,455,689)
Accounts receivable	6,333
Prepaid expenses	11,032
Inventories	9,586
Other assets	1,159
Accounts payable and accrued expenses	6,448
Deferred revenue	(7,899)
Deferred compensation	(27,342)
<b>Total adjustments</b>	<b>(1,623,867)</b>
<b>Net cash provided by operating activities</b>	<b>\$ 164,080</b>



OREGON HISTORICAL SOCIETY

GOVERNING BOARD, EX OFFICIO MEMBERS OF THE BOARD,  
AND SENIOR MANAGEMENT

Officers

Dr. Jerry E. Hudson  
*President*

William L. Failing, Jr.  
*Vice President*

Dr. Lesley Hallick  
*Secretary*

Pat Ritz  
*Treasurer*

Board of Directors

Paul Andrews  
*Melvin Mark Brokerage Co.*

Arleen Barnett  
*Portland General Electric*

Robert Bauer  
*Retired Business Owner*

Barbara Beale  
*Community Volunteer*

Marc Berg  
*Southwest Washington  
Medical Center*

Carl Christoferson  
*Oregon Investments*

Dr. Rebecca Dobkins  
*Willamette University*

Christopher Erickson  
*The Heathman Hotel*

William L. Failing, Jr.  
*Consultant*

Jamieson Grabenhorst  
*CGC Financial Services LLC*

Dr. Lesley Hallick  
*Pacific University*

Dan Heine  
*The Bank of Oswego*

Dr. Jerry E. Hudson  
*The Collins Foundation*

Greg Keller  
*Retired Fire Chief*

Jon Kruse  
*Intel Capital*

Jackson Lewis  
*Tonkon Torp, LLP*

Judge Angel Lopez  
*Multnomah County  
Circuit Court*

Henry C. Lorenzen  
*Corey Byler Rew  
Lorenzen & Hojem*

Libby McCaslin  
*Keller Family Foundation*

Pete Mark  
*Melvin Mark Companies*

Robert J. Miller  
*Lewis and Clark Law School*

Anne Naito-Campbell  
*Bill Naito Company*

Sarah Newhall  
*Museum of Contemporary Craft*

Maura N. O'Scannlain  
*Community Volunteer*

Douglas Pahl  
*Perkins Coie*

Jin Park  
*The Reserve Vineyards  
and Golf Club*

Dr. Jacqueline Peterson-Loomis  
*Washington State  
University - Vancouver*

Dr. Preston Pulliams  
*Portland Community College*

Guy A. Randles  
*Stoel Rives, LLP*

James T. Richardson  
*Riverlake Partners*

Pat Ritz  
*Footwear Specialties  
International*

John Shelk  
*Ochoco Lumber Company*

Janet Taylor  
*Retired City of Salem Mayor*

Bill Wyatt  
*Port of Portland*

Ex Officio

Hon. John Kitzhaber  
*Governor of Oregon*

Hon. Susan Castillo  
*Superintendent of Public  
Instruction*

George Pernsteiner  
*Chancellor, Oregon University System*

James Scheppke  
*State Librarian*

Senior Management

Kerry Tymchuck  
*Executive Director*

Marsha Matthews  
*Director of Museum Services*

Sue Metzler  
*Director of Development &  
Marketing*

Sheri Neal  
*Director of Finance*

Lisa Noah  
*Director of Operations &  
Administration*

Dwight Peterson  
*Director of Information  
Technology*

Geoff Wexler  
*Interim Library Director*

OREGON HISTORICAL SOCIETY  
INQUIRIES AND OTHER INFORMATION

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