



Audited Financial Statements

FOR THE YEARS ENDED
December 31, 2012 and 2011

THE FRESHWATER TRUST

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PRIOR + HART
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Freshwater Trust

Report on the Financial Statements

We have audited the accompanying financial statements of The Freshwater Trust (a nonprofit organization) which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenditures, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Freshwater Trust as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States and Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2013 on our consideration of The Freshwater Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Freshwater Trust's internal control over financial reporting and compliance.



Prior + Hart, LLC

Certified Public Accountants

May 16, 2013
Portland, Oregon

THE FRESHWATER TRUST
Statements of Financial Position
December 31, 2012 and 2011

ASSETS

	2012	2011
Current Assets:		
Cash and cash equivalents	\$ 622,903	\$ 621,481
Grants and fees receivable	1,644,403	510,716
Prepaid expenses	42,796	15,705
Deposits	17,246	16,272
Total Current Assets	2,327,348	1,164,174
Investments:		
Unrestricted	16,484	15,021
Endowments	87,383	79,090
Total Long-Term Investments	103,867	94,111
Property and Equipment, net	59,519	48,302
StreamBank software	822,578	769,175
Water rights interest	1,167,666	944,674
Total Assets	\$ 4,480,978	\$ 3,020,435

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 751,143	\$ 406,889
Line of credit	215,216	74,803
Loan payable	149,440	-
Payroll liabilities	54,690	33,014
Pension obligation	22,390	14,426
Total Current Liabilities	1,192,879	529,132
Other liabilities:		
Landowner payable	15,000	-
Deferred revenue	200,967	50,000
Total Liabilities	1,408,846	579,132
Net Assets:		
Unrestricted	2,606,877	1,681,006
Temporarily restricted	377,872	681,207
Permanently restricted	87,383	79,090
Total Net Assets	3,072,132	2,441,303
Total Liabilities and Net Assets	\$ 4,480,978	\$ 3,020,435

The accompanying notes are an integral part of these financial statements.

THE FRESHWATER TRUST
Statement of Activities
Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Grants and contributions	\$ 233,620	\$ 3,408,546	\$ -	\$ 3,642,166
Individual giving	453,548	-	-	453,548
Water Quality Trading income	1,106,333	-	-	1,106,333
Special events income	662,924	-	-	662,924
In-kind donations	93,450	539,399	-	632,849
Interest income	506	-	-	506
Net gain on investments	1,463	-	8,293	9,756
Loss on asset disposal	(5,455)	-	-	(5,455)
Sales and other revenues	528	-	-	528
Total revenues, gains and other support	<u>2,546,917</u>	<u>3,947,945</u>	<u>8,293</u>	<u>6,503,155</u>
Net assets released from restrictions	<u>4,251,280</u>	<u>(4,251,280)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, other support and net assets released from restrictions	<u>6,798,197</u>	<u>(303,335)</u>	<u>8,293</u>	<u>6,503,155</u>
Expenses				
Program services	4,967,144	-	-	4,967,144
Special events expenses	281,216	-	-	281,216
Development expenses	338,624	-	-	338,624
General and administrative	561,737	-	-	561,737
Total Expenses	<u>6,148,721</u>	<u>-</u>	<u>-</u>	<u>6,148,721</u>
Change in Net Assets	649,476	(303,335)	8,293	354,434
Net Assets, Beginning of Year	1,681,006	681,207	79,090	2,441,303
Assets purchased with restricted donations:				
StreamBank software	53,403	-	-	53,403
Permanent water right interests	<u>222,992</u>	<u>-</u>	<u>-</u>	<u>222,992</u>
Net Assets, End of year	<u>\$ 2,606,877</u>	<u>\$ 377,872</u>	<u>\$ 87,383</u>	<u>\$ 3,072,132</u>

The accompanying notes are an integral part of these financial statements.

THE FRESHWATER TRUST
Statement of Activities
Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Grants and contributions	\$ 153,198	\$ 3,168,283	\$ -	\$ 3,321,481
Individual giving	236,741	35,163	-	271,904
Water Quality Trading income	-	200,000	-	200,000
Special events income	440,040	-	-	440,040
In-kind donations	114,218	-	-	114,218
Interest income	36	-	-	36
Net loss on investments	(479)	2,165	(2,715)	(1,029)
Sales and other revenues	495	-	-	495
Total revenues, gains and other support	<u>944,249</u>	<u>3,405,611</u>	<u>(2,715)</u>	<u>4,347,145</u>
Net assets released from restrictions	<u>3,631,120</u>	<u>(3,631,120)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, other support and net assets released from restrictions	<u>4,575,369</u>	<u>(225,509)</u>	<u>(2,715)</u>	<u>4,347,145</u>
Expenses				
Program services	3,381,577	-	-	3,381,577
Special events expenses	243,029	-	-	243,029
Development expenses	296,241	-	-	296,241
General and administrative	604,558	-	-	604,558
Total Expenses	<u>4,525,405</u>	<u>-</u>	<u>-</u>	<u>4,525,405</u>
Change in Net Assets	49,964	(225,509)	(2,715)	(178,260)
Net Assets, Beginning of Year	811,379	906,716	81,805	1,799,900
Assets purchased with restricted donations:				
StreamBank software	101,898	-	-	101,898
Jacobs permanent water right interest	<u>717,765</u>	<u>-</u>	<u>-</u>	<u>717,765</u>
Net Assets, End of year	<u>\$ 1,681,006</u>	<u>\$ 681,207</u>	<u>\$ 79,090</u>	<u>\$ 2,441,303</u>

The accompanying notes are an integral part of these financial statements.

THE FRESHWATER TRUST
Statement of Functional Expenses
Year Ended December 31, 2012

	Program Services				Support Services			
	Water Quality Trading	Flow	Habitat	Total	Special Events	Development	General & Administration	Expenses
Payroll and related costs	\$ 704,615	\$ 330,956	\$ 311,318	\$1,346,889	\$ 64,611	\$ 237,635	\$ 382,790	\$ 2,031,925
Advertising and promotion	1,944	1,000	90	3,034	-	9,262	4,072	16,368
Acquisition expenses	-	-	-	-	216,565	-	584	217,149
Contracted services	821,584	20,822	987,183	1,829,589	-	16,415	8,024	1,854,028
Bank charges	482	160	106	748	-	889	281	1,918
Dues and subscriptions	4,060	465	1,842	6,367	-	11,274	518	18,159
Meetings and education	4,311	924	12,924	18,159	-	1,478	1,341	20,978
Insurance	23,421	1,248	864	25,533	-	1,631	2,111	29,275
Interest	-	-	4,603	4,603	-	-	-	4,603
Licenses, taxes and fees	915	84	363	1,362	40	184	143	1,729
Supplies	13,263	10,818	62,965	87,046	-	3,612	3,896	94,554
Gifts and promotion	3,999	627	459	5,085	-	3,828	1,038	9,951
Telephone	11,335	3,311	3,210	17,856	-	3,540	4,569	25,965
Postage and shipping	2,289	662	493	3,444	-	1,575	2,075	7,094
Professional services	105,901	8,300	31,323	145,524	-	6,355	10,402	162,281
Printing and publishing	2,528	536	851	3,915	-	1,698	16,453	22,066
Meals and entertainment	11,843	2,608	1,881	16,332	-	7,474	1,105	24,911
Travel	68,503	38,648	25,135	132,286	-	7,276	1,536	141,098
Equipment and maintenance	10,294	3,355	3,778	17,427	-	4,465	2,047	23,939
Occupancy	49,087	17,913	21,069	88,069	-	17,033	18,430	123,532
Depreciation and amortization	5,845	17,167	-	23,012	-	-	8,241	31,253
In-kind donations	1,369	-	539,399	540,768	-	-	92,081	632,849
Bad debt	-	-	-	-	-	3,000	-	3,000
Water acquisition fees and lease payments	326	645,515	4,255	650,096	-	-	-	650,096
Total Expenses	\$ 1,847,914	\$ 1,105,119	\$ 2,014,111	\$ 4,967,144	\$ 281,216	\$ 338,624	\$ 561,737	\$ 6,148,721

The accompanying notes are an integral part of these financial statements.

THE FRESHWATER TRUST
Statement of Functional Expenses
Year Ended December 31, 2011

	Program Services			Support Services			Total Expenses
	Education	Conservation	Total	Special Events	Development	General & Administration	
Payroll and related costs	\$ 5,248	\$ 819,215	\$ 824,463	\$ 50,640	\$ 216,501	\$ 383,053	\$ 1,474,657
Advertising and promotion	-	5,509	5,509	-	12,440	3,630	21,579
Acquisition expenses	-	-	-	159,456	-	-	159,456
Contracted services	80,025	1,072,052	1,152,077	-	-	1,500	1,153,577
Bank charges	-	-	-	-	962	1,092	2,054
Dues and subscriptions	1,050	3,015	4,065	-	2,181	2,362	8,608
Meetings and education	-	9,331	9,331	-	3,553	1,345	14,229
Insurance	-	-	-	-	-	9,099	9,099
Interest	-	-	-	-	-	2,769	2,769
Licenses, taxes and fees	-	1,774	1,774	-	324	1,208	3,306
School field trips	1,032	-	1,032	-	-	-	1,032
Supplies	1,832	16,668	18,500	-	249	10,515	29,264
Gifts and promotion	-	5	5	-	4,935	4,576	9,516
Telephone	851	4,615	5,466	-	107	16,071	21,644
Postage and shipping	-	193	193	-	750	7,070	8,013
Professional services	9,213	73,419	82,632	-	-	45,347	127,979
Printing and publishing	-	2,144	2,144	-	5,057	20,509	27,710
Meals and entertainment	-	5,573	5,573	-	5,734	12,929	24,236
Travel	2,076	86,560	88,636	-	5,029	4,990	98,655
Equipment and maintenance	-	456	456	-	-	24,362	24,818
Occupancy	3,250	58,049	61,299	-	38,419	28,809	128,527
Depreciation	-	-	-	-	-	20,835	20,835
In-kind donations	341	82,208	82,549	29,183	-	2,487	114,219
Bad debt	-	-	-	3,750	-	-	3,750
Water acquisition fees and lease payments	-	1,035,873	1,035,873	-	-	-	1,035,873
Total Expenses	<u>\$ 104,918</u>	<u>\$ 3,276,659</u>	<u>\$ 3,381,577</u>	<u>\$ 243,029</u>	<u>\$ 296,241</u>	<u>\$ 604,558</u>	<u>\$ 4,525,405</u>

The accompanying notes are an integral part of these financial statements.

THE FRESHWATER TRUST
Statements of Cash Flows
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	354,434	\$ (178,260)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	31,253	20,835
Net unrealized and realized (gain)/loss on investments	(9,756)	2,994
Net loss on asset dispositions	5,455	-
(Increase) decrease in current assets:		
Grants and contributions receivable	(1,133,687)	(167,760)
Prepaid expenses	(27,091)	(12,964)
Deposits	(974)	(8,858)
Miscellaneous receivable	-	527
Increase (decrease) in current liabilities:		
Accounts payable	344,254	293,584
Accrued expenses	21,676	1,902
Pension obligation	7,964	(589)
Landowner payable	15,000	-
Deferred revenue	<u>150,967</u>	<u>42,250</u>
Net Cash Used by Operating Activities	<u>(240,505)</u>	<u>(6,339)</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	(42,081)	(15,984)
Proceeds from sale of investments	<u>-</u>	<u>217,970</u>
Net Cash (Used)/Provided by Investing Activities	<u>(42,081)</u>	<u>201,986</u>
Cash Flows from Financing Activities		
Proceeds from loan payable	143,595	-
Proceeds from line of credit	<u>140,413</u>	<u>74,803</u>
Net Cash Provided by Financing Activities	<u>284,008</u>	<u>74,803</u>
Net Increase in Cash	1,422	270,450
Cash Balance Beginning of Period	<u>621,481</u>	<u>351,031</u>
Cash Balance End of Period	<u>\$ 622,903</u>	<u>\$ 621,481</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid for line of credit interest	<u>\$ 4,603</u>	<u>\$ 2,769</u>

The accompanying notes are an integral part of these financial statements.

THE FRESHWATER TRUST
NOTES TO THE FINANCIAL STATEMENTS
For The Years Ended December 31, 2012 and 2011

NOTE 1 - ORGANIZATION

The Freshwater Trust (the Organization) is an action-oriented 501(c)(3) not-for-profit that restores rivers and streams throughout Oregon. The Freshwater Trust uses cooperative, market-based solutions that benefit rivers, working lands and local communities - from working with landowners to keep more water in streams to streamlining restoration processes to achieve greater pace and scale to improving aquatic habitat using a localized approach.

During the years ended December 31, 2012 and 2011, the Organization incurred program expenses in the following major categories:

Water Quality Trading - The Freshwater Trust's water quality trading program allows for regulated entities to achieve regulatory compliance by engaging in restoration actions. By calculating and quantifying how much thermal energy is avoided on a river by planting streamside trees, The Freshwater Trust generates credits that are then purchased by wastewater facilities and power plants to offset their impacts to impaired rivers and streams. The work is done in partnership with agencies, irrigators, regulators and farmers.

Flow - The Freshwater Trust restores stream flows by working collaboratively with willing landowners. The Organization uses a variety of cooperative solutions, including financial compensation, technical assistance and expert advice to keep more water in our streams and river - because water quality starts with water quantity.

Habitat - The Freshwater Trust actively restores aquatic habitat in Oregon through its Habitat Restoration program. From placing logs instream to create river complexity and planting trees to stabilize streambanks and provide shade to lower water temperature, the Organization advances science-based, ecologically-sound restoration projects to restore habitat function critical to salmon productivity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

THE FRESHWATER TRUST
NOTES TO THE FINANCIAL STATEMENTS
For The Years Ended December 31, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation - The Organization has adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 958-605-25 "Revenue Recognition" and FASB ASC No. 958-205 "Presentation of Financial Statements." These provisions establish standards for external financial reporting by not-for-profit organizations and require that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories follows:

Unrestricted net assets - Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets restricted by donors to be maintained in perpetuity. Generally, income earned on such funds is unrestricted or temporarily restricted based on donor stipulations.

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

Cash Equivalents - For financial statement purposes, the Organization considers all liquid investments having initial maturities of three months or less to be cash equivalents.

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 market value.

Contributions of Long-Lived Assets - Contributions of furniture 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 furniture 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.

THE FRESHWATER TRUST
NOTES TO THE FINANCIAL STATEMENTS
For The Years Ended December 31, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment - Purchased property and equipment is recorded at its cost of acquisition. Donated property is recorded at its estimated fair market value. Property and equipment additions in excess of \$500 are capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of 3 to 7 years.

Income Taxes - The Organization is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes has been made in the accompanying statements.

Accounting principles require management to evaluate tax positions taken by the organization and recognize a tax liability (or asset) if the organization has taken an uncertain position that more than likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the organization, and has concluded that as of December 31, 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

The organization is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax periods in progress. Management believes the organization is no longer subject to income tax examinations for years prior to 2008.

Investments - Investments in securities are presented in the financial statements at market value, with the resulting realized and unrealized gains and losses included in the statement of activities. Market value is determined by the quoted market price at the date of the statement of financial position. Security transactions and related expenses are accounted for on a trade-date basis. Investment expense incurred for the for years ended December 31, 2012 and 2011 was \$821 and \$852, respectively.

Fair Value of Financial Instruments - Financial instruments are composed of cash, investments, accounts/grants/pledges receivable, water rights, accounts payable and accrued liabilities, the carrying value of which approximates fair market value.

THE FRESHWATER TRUST
NOTES TO THE FINANCIAL STATEMENTS
For The Years Ended December 31, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Membership payments received from Organization members are considered equivalent to unrestricted contributions and are recognized as revenue when received.

Software development costs - Cost to develop software programs to be used solely for internal needs have been accounted for in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 350-40 "Internal -Use Software". Costs incurred during the application development stage for software programs to be used solely for internal needs were capitalized and will be amortized over their useful life once the software is substantially complete and ready for its intended use.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Subsequent Events - Management has evaluated subsequent events through May 16, 2013, the date the financial statements were available to be issued.

NOTE 3 - CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially expose the Organization to concentrations of credit risk, consist primarily of cash and cash equivalents. Cash is deposited with institutions insured by the Federal Deposit Insurance Corporation (FDIC) and at times during the year exceeded the FDIC limits. At December 31, 2012 and 2011, cash balances exceed federally insured limits by \$348,286 and \$380,095, respectively.

The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

THE FRESHWATER TRUST
NOTES TO THE FINANCIAL STATEMENTS
For The Years Ended December 31, 2012 and 2011

NOTE 4 - INVESTMENT IN PERPETUAL TRUST

In 1996 the Organization established the Oregon Trout Endowment Fund at the Oregon Community Foundation (the Foundation). The Organization intends to grow the balance of this fund to \$100,000 before beginning to draw on investment income and appreciation. At December 31, 2012 and 2011, the fair value of the assets in this fund totaled \$87,383 and \$79,090, respectively. As a component fund of the Foundation, the fund is invested and managed by the foundation and only investment income and appreciation will be made available to The Freshwater Trust in the future.

NOTE 5 - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 820-10 "Fair Value Measurements", establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC No. 820-10 are described below:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
Level 2	Inputs to the valuation method include: <ul style="list-style-type: none">* Quoted prices for similar assets or liabilities in active markets;* Quoted prices for identical or similar assets or liabilities in inactive markets;* Inputs other than quoted prices that are observable for the asset or liability;* Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual term), the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.
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THE FRESHWATER TRUST
NOTES TO THE FINANCIAL STATEMENTS
For The Years Ended December 31, 2012 and 2011

NOTE 5 - FAIR VALUE MEASUREMENTS (CONTINUED)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

StreamBank software: Valued at the historical cost incurred to develop the software.

Quoted market prices are not available for certain investments. These investments are recorded at their estimated fair market value; therefore, the reported value may differ from the value that would have been used had a quoted market price existed. As described in Note 4, the Organization maintains an endowment fund with the Oregon Community Foundation. The Oregon Community Foundation believes that the reported amounts for these investments are a reasonable estimate of their fair value at December 31, 2012 and 2011.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Management believes its valuation methods are appropriate and consistent, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

	Assets at Fair Value as of December 31, 2012			
	Level 1	Level 2	Level 3	Total
* Other investments	-	-	103,867	103,867
StreamBank software	-	-	822,578	822,578
Total assets at fair value	\$ -	\$ -	\$ 926,445	\$ 926,445

* Investments held/managed by the Oregon Community Foundation (see note 4).

THE FRESHWATER TRUST
NOTES TO THE FINANCIAL STATEMENTS
For The Years Ended December 31, 2012 and 2011

NOTE 5 - FAIR VALUE MEASUREMENTS (CONTINUED)

	Assets at Fair Value as of December 31, 2011			
	Level 1	Level 2	Level 3	Total
* Other investments	-	-	94,111	94,111
StreamBank software	-	-	769,175	769,175
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 863,286</u>	<u>\$ 863,286</u>

* Investments held/managed by the Oregon Community Foundation (see note 4).

The table below sets forth a summary of changes in the fair value of the Organization's level 3 assets for the year ended December 31, 2012:

	Level 3 Assets	
	Endowment Investments	StreamBank
Balance, beginning of year	\$ 94,111	\$ 769,175
Realized gains/(losses)	910	-
Unrealized gains/(losses)	8,642	-
Investment income, net of expense	204	-
Purchases	-	53,403
Balance, end of year	<u>\$ 103,867</u>	<u>\$ 822,578</u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2012	2011
Furniture and equipment	\$ 93,747	\$ 174,630
Leasehold improvements	36,746	16,598
	130,493	191,228
Less: accumulated depreciation and amortization	<u>(70,974)</u>	<u>(142,926)</u>
Net property and equipment	<u>\$ 59,519</u>	<u>\$ 48,302</u>

Depreciation and amortization expense for the years ended December 31, 2012 and 2011 was \$31,253 and \$20,835, respectively.

THE FRESHWATER TRUST
NOTES TO THE FINANCIAL STATEMENTS
For The Years Ended December 31, 2012 and 2011

NOTE 7 - LINES OF CREDIT

On July 29, 2011, the Organization renewed a \$600,000 line of credit with Wells Fargo Bank to support the organization's working capital. Interest is charged at the greater of the bank's prime rate plus 1.5% or the floor rate of 5.0%. As of December 31, 2012 and 2011, the outstanding balance on the line of credit was \$215,216 and \$74,803 respectively.

On June 28, 2012, the Organization signed a \$860,405 non-revolving line of credit agreement with Craft3 to support the organization's water quality trading program. The term of the loan is 16 months with full payout at maturity on or before September 30, 2013. Interest is charged at 6.0%. As of December 31, 2012, the outstanding balance on the line of credit was \$156,955. Loan fees of \$13,360 are being amortized over the term of the loan.

NOTE 8 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	2012	2011
Habitat programs	\$ 377,872	\$ 648,539
Education	-	494
Streambank	-	32,174
	<u> </u>	<u> </u>
Total Temporarily Restricted Net Assets	<u>\$ 377,872</u>	<u>\$ 681,207</u>

The Endowment Fund was established for the purpose of providing investment revenues to support wild fish conservation programs in perpetuity. Permanently restricted net assets at December 31, 2012 and 2011, consist of investments held within the Oregon Trout Endowment Fund; which is managed by the Oregon Community Foundation.

NOTE 9 - OPERATING LEASE COMMITMENTS

The Organization leases its office facilities under an operating lease, which commenced on December 1, 2005 and expires on September 30, 2021. The lease contains an annual provision to be paid as additional rent to cover the Organization's proportionate share of certain operating expenses. This lease was modified August 25, 2008 (Amendment I) to include office space on the entire second floor in addition to the existing lease of the third floor. This lease was modified again September 26, 2011 (Amendment II) to extend the lease term by 10 years.

Occupancy expense for the years ended December 31, 2012 and 2011 was \$123,532 and \$128,527, respectively.

THE FRESHWATER TRUST
NOTES TO THE FINANCIAL STATEMENTS
For The Years Ended December 31, 2012 and 2011

NOTE 9 - OPERATING LEASE COMMITMENTS (CONTINUED)

In addition, the Organization leases certain office equipment under lease agreements expiring in 2017. Rental expense paid for equipment leases for the years ended December 31, 2012 and 2011 was \$18,104 and \$21,077, respectively.

At December 31, 2012, the approximate minimum rental commitments for the above leases are as follows:

Year Ending December 31,

2013	\$ 141,949
2014	145,125
2015	148,064
2016	151,323
2017 and thereafter	<u>545,150</u>
Total	<u>\$1,131,611</u>

NOTE 10 - RELATED PARTY TRANSACTIONS

Tony Malmberg, an employee of the Organization, entered into a water rights lease transaction during 2011. The water rights lease transaction was completed before Tony joined the Organization as an employee. The water rights lease was consummated in an arms-length transaction and is comparable to other water rights lease transactions entered into during 2011. As an employee, Tony was one of three candidates who applied for the position and secured the job based on his abilities and skill set. The water rights lease agreement extends through the 2013 irrigation season. All payments and conditions continued to be met according to the terms of the agreement.

NOTE 11 - RETIREMENT PLANS

The Organization provides substantially all full-time and certain part-time employees with a Simplified Employees Pension Plan. The Organization's annual contribution to the plan is equal to 5.0% of the eligible annual compensation of each participant. Contributions by the Organization to the plan totaled \$78,173 and \$51,957 and for the years ended December 31, 2012 and 2011.

THE FRESHWATER TRUST
NOTES TO THE FINANCIAL STATEMENTS
For The Years Ended December 31, 2012 and 2011

NOTE 12 - IN-KIND CONTRIBUTIONS

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skill, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. Donations of equipment and materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of the Organization's activities.

Contributed goods and professional services valued at \$91,991 and \$31,670 are included in unrestricted contributions, specifically for Special Events for the years ending December 31, 2012 and 2011.

Contributed goods and professional services valued at \$539,399 and \$82,208 are included in unrestricted contributions, specifically for the Habitat Program for the years ending December 31, 2012 and 2011.

NOTE 13 - WATER RIGHTS

The Organization has acquired title for partial water right interests among several basins in Oregon to preserve in-stream water flows. The water rights are valued based on their original purchase cost. Annually, the Organization assesses the value of the water right interests held to determine if any permanent impairment of value has occurred. If the value of the water rights is determined to be impaired; the carrying value of the water rights would be reduced to their estimated fair value in the period that the impairment has occurred. For the years ended December 31, 2012 and 2011, the Organization has not recognized any impairment losses on the value these water rights.

NOTE 14 - WATER LEASE COMMITMENTS

The Organization has entered into multiple water rights lease agreements with participating landowners in Oregon with terms ranging from one to four years. Each water right lease agreement is conditioned upon the Organization receiving annual funding from the Columbia Basin Water Transaction Program. In the event that funding is not made available the water right lease terminates and the parties are released from their obligations.

During the year ended December 31, 2012, certain water rights lease agreements were paid two to five years in advance. There are contractual remedies that the Organization can pursue in the event of default by the landowner, which can include repayment of funds received.

THE FRESHWATER TRUST
NOTES TO THE FINANCIAL STATEMENTS
For The Years Ended December 31, 2012 and 2011

NOTE 14 - WATER LEASE COMMITMENTS (CONTINUED)

At December 31, 2012, the approximate minimum commitments for the above leases are as follows:

Year Ending December 31:

2013	\$ 183,963
2014	172,882
2015	<u>8,883</u>
Total	<u>\$ 365,728</u>

NOTE 15 - ENDOWMENT

The Organization's endowment consists of one fund established for a variety of purposes. Its endowment includes funds both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of The Freshwater Trust has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date and the donor-restricted funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

THE FRESHWATER TRUST
NOTES TO THE FINANCIAL STATEMENTS
For The Years Ended December 31, 2012 and 2011

NOTE 15 - ENDOWMENT (CONTINUED)

Endowment Net Asset Composition by Type of Fund as of December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment fund	16,484	-	87,383	103,867
Total assets at fair value	<u>\$ 16,484</u>	<u>\$ -</u>	<u>\$ 87,383</u>	<u>\$ 103,867</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board-designated endowment fund	15,021	-	79,090	94,111
Total assets at fair value	<u>\$ 15,021</u>	<u>\$ -</u>	<u>\$ 79,090</u>	<u>\$ 94,111</u>

Changes in Endowment Net Assets for the year ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 15,021	-	79,090	\$ 94,111
Investment return:				
Investment income	31	-	173	204
Net appreciation (realized and unrealized)	<u>1,432</u>	<u>-</u>	<u>8,120</u>	<u>9,552</u>
Endowment net assets, end of year	<u>\$ 16,484</u>	<u>\$ -</u>	<u>\$ 87,383</u>	<u>\$ 103,867</u>

THE FRESHWATER TRUST
NOTES TO THE FINANCIAL STATEMENTS
For The Years Ended December 31, 2012 and 2011

NOTE 16 - RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year presentation.

THE FRESHWATER TRUST
Schedule of Expenditures of Federal Awards
Year ended December 31, 2012

Federal Agency	Pass Through Agency	Federal Program Title	CFDA Number	Grant Identification Number	Expenditures
National Fish & Wildlife Foundation	CBWTP	Flow Restoration in the Columbia Basin	00029462	2011-0016-008	\$ 125,941
National Fish & Wildlife Foundation	CBWTP	Flow Restoration in the Umatilla Basin	00029462	2011-0016-010	96,450
National Fish & Wildlife Foundation	CBWTP	Flow Restoration in the Columbia Basin	00029462	0201.12.033738	34,017
National Fish & Wildlife Foundation	CBWTP	Flow Restoration in the Umatilla Basin	00029462	0201.12.033740	22,755
National Fish & Wildlife Foundation	CBWTP	Water Lease Payments	00029462	9922.11.030335	337,151
National Fish & Wildlife Foundation	CBWTP	Water Lease Payments	00029462	0201.11.030340	<u>118,840</u>
Total National Fish and Wildlife Foundation					735,154
National Fish & Wildlife Foundation		Bring Back the Natives - Rudio	15.231	2010-0055-003	31,472
National Fish & Wildlife Foundation		OR Governors Fund - Rudio	15.231	8009.06.02593/25933	<u>38,001</u>
Total National Fish and Wildlife Foundation					69,473
Bureau of Land Management		Salmon River Habitat Restoration	15.234	L11AC20158	<u>91,470</u>
Total Bureau of Land Management					91,470
EcoTrust	NOAA/USFS	Salmon River Habitat Restoration	N/A	1210-E-OR-NFB	51,889
EcoTrust	NOAA/USFS	Rudio Creek Habitat Restoration	N/A	FT RCR 0310	<u>52,829</u>
Total EcoTrust					104,718
NOAA	NACo	Rudio Creek Restoration	11.463	DOC.749.2010-24-328	<u>46,848</u>
Total NOAA					46,848
The Nature Conservancy	NOAA	Salmon River Habitat Restoration	N/A	GMT-TFT-070111	<u>8,699</u>
Total The Nature Conservancy					8,699

See accompanying notes and accountant's report.

THE FRESHWATER TRUST
Schedule of Expenditures of Federal Awards
Year ended December 31, 2012

Federal Agency	Pass Through Agency	Federal Program Title	CFDA Number	Grant Identification Number	Expenditures
National Resources Conservation Service		NW Environmental Markets Initiative	10.912	69-3A75-11-181	<u>459,133</u>
Total National Resources Conservation Service					459,133
U.S. Forest Service		Middle Fork John Day Restoration	10.692	12-PA-11060400-010	20,000
U.S. Forest Service		Rudio Creek Restoration	10.692	11-DG-11060400-005	70,532
U.S. Forest Service		Salmon River Habitat Restoration	10.692	11-DS-11060600-015	<u>38,775</u>
Total U.S. Forest Service					129,307
Total Expenditures Federal Awards					<u><u>\$ 1,644,802</u></u>

See accompanying notes and accountant's report.

The Freshwater Trust
Notes To Schedule of Expenditures of Federal Awards
Year ended December 31, 2012

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Freshwater Trust and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*.

Total expenditures of federal awards	\$ 1,644,802
Non federal expenditures	<u>4,503,919</u>
Total expenses per Statement of Activities	<u><u>\$ 6,148,721</u></u>



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
The Freshwater Trust

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Freshwater Trust (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Freshwater Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Freshwater Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the The Freshwater Trust's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PRIOR + HART, LLC Certified Public Accountants

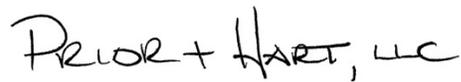
6915 SW Macadam Avenue, Suite 145 | Portland, Oregon 97219 | p 503.281.5213 | f 503.281.9653 | www.priorhart.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Freshwater Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, the communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Prior + Hart, LLC". The signature is written in a cursive, slightly stylized font.

Prior + Hart, LLC
Certified Public Accountants

May 16, 2013
Portland, Oregon



PRIOR + HART
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

To the Board of Directors of
The Freshwater Trust

Report on Compliance for Each Major Federal Program

We have audited The Freshwater Trust's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of The Freshwater Trust's major federal programs for the year ended December 31, 2012. The Freshwater Trust's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Freshwater Trust's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Freshwater Trust's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Freshwater Trust's compliance.

PRIOR + HART, LLC Certified Public Accountants

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Opinion of Each Major Federal Program

In our opinion, The Freshwater Trust complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control over Compliance

Management of The Freshwater Trust is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Freshwater Trust's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Freshwater Trust's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Prior + Hart, LLC
Certified Public Accountants

May 16, 2013
Portland, Oregon

The Freshwater Trust
Schedule of Findings and Questioned Costs
 Year ended December 31, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: *unqualified*

Internal control over financial reporting:

* Material weaknesses identified? _____ yes _____ X no

* Significant deficiencies identified not considered to be material weaknesses? _____ yes _____ X no

Noncompliance material to financial statements noted? _____ yes _____ X no

Federal Awards

Internal control over major programs:

* Material weaknesses identified? _____ yes _____ X no

* Significant deficiencies identified not considered to be material weaknesses? _____ yes _____ X none reported

Type of auditors' report issued on compliance for major programs: *unqualified*

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? _____ yes _____ X no

Identification of major programs:

CFDA Number

Federal Program

00029462	Water Transaction Instream Flow
00029462	Flow Restoration in the Umatilla Basin
00029462	Water Lease Payments
10.912	NW Environmental Markets Initiative

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualifies as low-risk auditee: _____ X yes _____ no

The Freshwater Trust
Schedule of Findings and Questioned Costs
Year ended December 31, 2012

Section II - Financial Statement Findings

None.

The Freshwater Trust
Schedule of Findings and Questioned Costs
Year ended December 31, 2012

Section III - Findings and Questioned Costs for Federal Awards

None.