

SOLV

FINANCIAL STATEMENTS

Years ended December 31, 2008 and 2007

with

INDEPENDENT AUDITOR'S REPORT

SOLV

(An Oregon non-profit corporation)

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES	3-4
STATEMENTS OF FUNCTIONAL EXPENSES	5-6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	9

INDEPENDENT AUDITOR'S REPORT

Board of Directors
SOLV
Hillsboro, Oregon

We have audited the accompanying statements of financial position of SOLV as of December 31, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of SOLV's management. 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. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SOLV as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Bashar & Johnson, P.C.

Beaverton, Oregon
June 10, 2009

SOLV

STATEMENTS OF FINANCIAL POSITION

December 31, 2008 and 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Cash (Note 3)	\$ 329,504	\$ 472,222
Accounts receivable	176,644	123,646
Contributions receivable (Note 4)	460,197	789,635
Investments (Note 5)	1,219,193	1,805,496
Prepaid expenses and deposits	20,968	22,056
Defined benefit pension assets (Note 9)	-	116,346
Vehicles and equipment, net (Note 6)	<u>72,290</u>	<u>86,227</u>
Total assets	<u>\$2,278,796</u>	<u>\$3,415,628</u>

LIABILITIES AND NET ASSETS

Liabilities:

Note payable to a bank (Note 7)	\$ -	\$ 1,070
Accounts payable	44,349	27,128
Accrued payroll, payroll taxes and benefits payable	70,905	158,234
Defined benefit pension liabilities (Note 9)	<u>382,834</u>	<u>-</u>
Total liabilities	<u>498,088</u>	<u>186,432</u>
Commitments and contingencies (Note 8)	-	-
Net assets (Note 10):		
Unrestricted	85,081	1,073,238
Temporarily restricted	395,760	856,091
Permanently restricted	<u>1,299,867</u>	<u>1,299,867</u>
Total net assets	<u>1,780,708</u>	<u>3,229,196</u>
Total liabilities and net assets	<u>\$2,278,796</u>	<u>\$3,415,628</u>

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

SOLV

STATEMENT OF ACTIVITIES

Year ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT				
Grants and contributions	\$1,051,683	\$159,489	\$ -	\$1,211,172
Contract revenue	279,626	-	-	279,626
Investment loss	(481,955)	-	-	(481,955)
In-kind contributions (Note 12)	84,193	-	-	84,193
Recognition event	115,830	-	-	115,830
Other income	29,004	-	-	29,004
Interest income	<u>1,666</u>	<u>-</u>	<u>-</u>	<u>1,666</u>
Total revenues and gains	1,080,047	159,489	-	1,239,536
Net assets released from restrictions	<u>619,820</u>	<u>(619,820)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>1,699,867</u>	<u>(460,331)</u>	<u>-</u>	<u>1,239,536</u>
EXPENSES				
Program services	2,110,076	-	-	2,110,176
Management and general	264,820	-	-	264,820
Development	193,188	-	-	193,188
Recognition event	<u>119,940</u>	<u>-</u>	<u>-</u>	<u>119,940</u>
Total expenses	<u>2,688,024</u>	<u>-</u>	<u>-</u>	<u>2,688,024</u>
INCREASE (DECREASE) IN NET ASSETS	(988,157)	(460,331)	-	(1,448,488)
NET ASSETS, beginning of year	<u>1,073,238</u>	<u>856,091</u>	<u>1,299,867</u>	<u>3,229,196</u>
NET ASSETS, end of year	<u>\$ 85,081</u>	<u>\$395,760</u>	<u>\$1,299,867</u>	<u>\$1,780,708</u>

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

SOLV
STATEMENT OF ACTIVITIES

Year ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT				
Grants and contributions	\$1,290,913	\$643,811	\$ 4,540	\$1,939,264
Contract revenue	184,027	-	-	184,027
Investment gain	176,650	-	-	176,650
In-kind contributions (Note 12)	191,303	-	-	191,303
Recognition event	112,750	-	-	112,750
Other income	6,295	-	-	6,295
Interest income	<u>689</u>	<u>-</u>	<u>-</u>	<u>689</u>
Total revenues and gains	1,962,627	643,811	4,540	2,610,978
Net assets released from restrictions	<u>593,456</u>	<u>(593,456)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>2,556,083</u>	<u>50,355</u>	<u>4,540</u>	<u>2,610,978</u>
EXPENSES				
Program services	1,762,396	-	-	1,762,396
Management and general	179,493	-	-	179,493
Development	307,407	-	50,000	357,407
Recognition event	<u>114,008</u>	<u>-</u>	<u>-</u>	<u>114,008</u>
Total expenses	<u>2,363,304</u>	<u>-</u>	<u>50,000</u>	<u>2,413,304</u>
INCREASE (DECREASE) IN NET ASSETS	192,779	50,355	(45,460)	197,674
NET ASSETS, beginning of year	<u>880,459</u>	<u>805,736</u>	<u>1,345,327</u>	<u>3,031,522</u>
NET ASSETS, end of year	<u>\$1,073,238</u>	<u>\$856,091</u>	<u>\$1,299,867</u>	<u>\$3,229,196</u>

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

SOLV

STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2008

	Program Services	Management and General	Development	Recognition Event	Total
Salaries and benefits	\$ 1,540,941	\$ 189,715	\$ 109,114	\$ 27,592	\$ 1,867,362
Professional fees and contract services	137,475	30,882	23,633	1,599	193,589
Occupancy	75,592	6,900	19,275	2,344	104,111
Supplies	11,000	2,589	802	248	14,639
Printing	48,459	1,588	5,946	2,183	58,176
Postage and shipping	12,609	333	4,048	709	17,699
Advertising	4,467	1,154	-	-	5,621
Insurance	23,565	1,123	729	195	25,612
Meetings	8,570	2,557	1,187	30	12,344
Travel and transportation	37,974	1,502	686	388	40,550
Telephone	9,857	997	1,835	162	12,851
Event services	100,520	3,935	13,458	57,600	175,513
Project grants	18,249	-	-	-	18,249
Recognitions items	3,599	1,399	45	3,420	8,463
Fees and dues	7,971	16,216	6,693	95	30,975
Pledge write-offs	-	-	1,805	-	1,805
Donated goods and services	51,882	1,500	2,342	22,805	78,529
Total expenses before depreciation and amortization	2,092,730	262,390	191,598	119,370	2,666,088
Depreciation	15,475	2,173	1,420	511	19,579
Amortization of leasehold improvements	1,871	257	170	59	2,357
Total expenses	\$ 2,110,076	\$ 264,820	\$ 193,188	\$ 119,940	\$ 2,688,024

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

STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2007

	Program Services	Management and General	Development	Recognition Event	Total
Salaries and benefits	\$ 1,230,420	\$ 132,544	\$ 187,842	\$ 32,283	\$ 1,583,089
Professional fees and contract services	50,003	17,688	17,939	11,768	97,398
Occupancy	68,461	6,660	21,206	2,262	98,589
Supplies	6,652	2,350	945	123	10,070
Printing	40,928	863	15,430	2,520	59,741
Postage and shipping	13,796	321	3,760	500	18,377
Advertising	12,211	-	1,500	-	13,711
Insurance	23,612	1,288	1,874	343	27,117
Meetings	5,470	3,585	700	-	9,755
Travel and transportation	35,058	392	557	233	36,240
Telephone	8,431	909	2,562	231	12,133
Event services	91,944	-	6,561	45,957	144,462
Project grants	14,885	-	-	-	14,885
Recognitions items	1,323	1,364	1,226	3,901	7,814
Fees and dues	6,091	3,941	3,643	137	13,812
Pledge write-offs	-	-	59,519	-	59,519
Donated goods and services	135,836	5,100	28,427	13,144	182,507
Total expenses before depreciation and amortization	1,745,121	177,005	353,691	113,402	2,389,219
Depreciation	15,605	2,247	3,332	543	21,727
Amortization of leasehold improvements	1,670	241	384	63	2,358
Total expenses	\$ 1,762,396	\$ 179,493	\$ 357,407	\$ 114,008	\$ 2,413,304

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

SOLV

STATEMENTS OF CASH FLOWS

Years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from donors and service recipients	\$1,531,531	\$2,582,158
Cash paid to employees and suppliers	(1,771,194)	(2,611,556)
Interest and dividends received	<u>1,666</u>	<u>689</u>
Net cash used by operating activities	<u>(237,997)</u>	<u>(28,709)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Distributions from investments	108,212	41,914
Purchase of investments	(2,115)	(27,807)
Purchase of vehicles and equipment	<u>(9,748)</u>	<u>(8,796)</u>
Net cash provided by investing activities	<u>96,349</u>	<u>5,311</u>
CASH FLOWS FROM FINANCING ACTIVITIES (Note 13):		
Repayments on credit line	(1,070)	-
Advances on credit line	<u>-</u>	<u>1,070</u>
Net cash provided (used) by financing activities	<u>(1,070)</u>	<u>1,070</u>
Decrease in cash and cash equivalents	(142,718)	(22,328)
Cash and cash equivalents, beginning of year	<u>472,222</u>	<u>494,550</u>
Cash and cash equivalents, end of year	<u>\$ 329,504</u>	<u>\$ 472,222</u>

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

SOLV

STATEMENTS OF CASH FLOWS, CONTINUED

Years ended December 31, 2008 and 2007

RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH USED BY OPERATING ACTIVITIES:

	<u>2008</u>	<u>2007</u>
Change in net assets	\$(1,448,488)	\$ 154,647
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	21,936	24,085
Net unrealized and realized gains (losses) on investments	481,955	(176,650)
Permanently restricted contributions	-	(4,540)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(52,998)	68,278
Decrease (increase) in contributions receivable	329,438	(101,638)
Decrease (increase) in prepaid expenses and deposits	1,088	(174)
Decrease in defined benefit pension assets	116,346	31,459
Increase (decrease) in accounts payable	17,221	(2,177)
Decrease in accrued payroll, payroll taxes and benefits payable	(87,329)	(21,999)
Increase in defined benefit pension liabilities	<u>382,834</u>	<u>-</u>
Net cash used by operating activities	<u>\$ (237,997)</u>	<u>\$ (28,709)</u>

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

SOLV

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

1. Organization and Summary of Significant Accounting Policies

SOLV is one of Oregon's oldest conservation organizations, founded in 1969 by Governor Tom McCall and other community leaders. SOLV is a nonprofit organization which focuses on community cleanup, enhancement, environmental restoration and educational projects throughout the State of Oregon.

The significant accounting policies followed by SOLV are described below:

Financial Statement Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of SOLV and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the same reporting period.

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

Permanently restricted net assets – Net assets which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits SOLV to expend part or all of the income derived from the donated assets. Contributions received for Gift to Oregon are permanently restricted assets.

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 law. When a donor restriction expires, that is, when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008 and 2007

1. Organization and Summary of Significant Accounting Policies. Continued

Functional Allocation of Expenses

The costs of providing the various programs and other activities 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.

Contributions

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received. Unconditional promises to give that are expected to be collected within one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. 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 of Long-Lived Assets

Contributions of equipment and furnishings 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 equipment and furnishings 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.

Contributed Services

Significant services received, which create or enhance a non-financial asset or require specialized skills that the organization would have purchased if not donated, are recognized in the statement of activities. A number of unpaid volunteers have made significant contributions of their time to develop and implement programs of SOLV. In accordance with generally accepted accounting principles, the value of such services have not been recognized in the statement of activities.

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008 and 2007

1. Organization and Summary of Significant Accounting Policies. Continued

Other In-Kind Contributions

In-kind contributions of equipment and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of SOLV's activities.

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.

Cash and Cash Equivalents

SOLV considers all highly liquid investments having initial maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair value in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Vehicles and Equipment

Vehicles and equipment are recorded at cost at the date of acquisition or at fair market value at the date of donation when acquired by gift. Minor additions and renewals are expensed in the year incurred. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, generally three to seven years.

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008 and 2007

1. Organization and Summary of Significant Accounting Policies, Continued

Operations

Results from operations in the statement of activities reflects all transactions increasing or decreasing unrestricted net assets except those items of a capital nature associated with long-term investment or physical facilities.

Income Taxes

SOLV is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law and, as such, is not subject to income taxes on net income from exempt activities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of reported 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.

2. Program Services

Great Oregon Beach Cleanup - Every year in the spring and fall the length of the Oregon coastline is cleaned of litter and marine debris, returning it to its pristine condition for visitors and wildlife. This effort empowers citizens to be an active part of keeping their state clean and beautiful. The first beach cleanup in the nation was held here in Oregon in 1984. Since then, annual beach cleanups have spread to 55 states and US territories as well as 87 countries and sovereign territories.

INTEL-SOLV Clean and Green Project - The INTEL-SOLV Clean and Green Project unites Intel employees and hundreds of other volunteers to collaborate on projects that will enhance the livability of Washington County. It is the result of Intel's interest in being involved on a volunteer basis in the communities where it is located, and SOLV's focus on regionally-based cleanup, beautification and enhancement programs. This year the project expanded to East Multnomah County communities.

SOLV IT - One of the largest Earth Day activities in the nation, SOLV IT events take place in Northwest Oregon spanning Clackamas, Columbia, Multnomah, Washington, and Yamhill counties. Responding to changing needs, projects have included cleaning up illegal dumpsites and neighborhoods, trail maintenance, wetland and watershed restoration, and public area enhancement.

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008 and 2007

2. Program Services, Continued

Down By The Riverside - Since its start eleven years ago, Down By The Riverside has become an important and lasting tool for community involvement and public space improvement. Down By The Riverside is a day for volunteers to do enhancement work and cleanup communities and public greenspaces around and along Oregon's rivers, streams and lakes. It is also a chance for students to work with their classmates and teachers on community projects while meeting curricular goals.

K-16 Education - SOLV's K-16 educational programs and curricula are designed to involve students in service-learning, providing a "real world" extension to their classroom education, and at the same time, building a connection to their community. SOLV offers training for educators, curriculum aligned to Oregon standards, small reimbursement grants and on-site project support.

Youth Leadership Program - A leadership development program designed to train Oregon youth to envision, organize and implement successful community projects in partnership with community members.

Project Oregon - Project Oregon helps anyone who wants to organize a volunteer project anywhere in Oregon, 365 days a year. SOLV provides some small grants when available, plus planning and organizing help, materials, and coordinator's guide to communities throughout Oregon for cleanup, beautification and enhancement projects. The program is kicked off each May by Oregon's Governor.

Team Up for Watershed Health - SOLV's Team up for Watershed Health program seeks to involve and educate community members in restoration projects along priority waterways in the Portland metro area, to improve water quality and habitat for fish and wildlife. Team Up makes an eight year commitment to these sites, and involves local schools, agencies, churches, businesses and neighbors in removing invasive plants, planting native trees and shrubs, maintaining the site, and conducting vegetation, water quality and photo-point monitoring.

Tree for All - In partnership with the cities of Washington County, Clean Water Services, and Friends of Trees, SOLV continues to work with local communities in watershed restoration. The Tree for All partnership's goal is to plant two million trees in the Tualatin River Basin over the next 20 years.

Oregon Adopt-A-River - Oregon Adopt-A-River helps volunteers clean up and preserve Oregon waterways, and learn the importance of watershed health and a good stewardship ethic. Volunteers adopt their favorite stretch of waterway (river, lake, or stream) anywhere in the state of Oregon. Volunteers generally adopt a minimum of two miles of waterway and do cleanup projects twice a year for two years. Many volunteers do much more!

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008 and 2007

2. Program Services, Continued

Volunteer Outreach - Through funding by Meyer Memorial Trust, SOLV recruits, trains, acknowledges and retains volunteers and supports SOLV projects in their communities. The Volunteer Action Training workshops are conducted throughout Oregon to train community leaders to coordinate volunteer cleanup and enhancement projects.

SOLV Citizenship Awards Banquet - Oregon's premiere recognition event honoring excellence in citizenship. The annual event features the Tom McCall Leadership Award and recognizes individuals, groups and business for their contributions to Oregon.

Oregon 150/TCO - To commemorate Oregon's sesquicentennial of statehood, Governor Kulongoski created Oregon 150, a non-profit organization led by citizen volunteers from across the state, to promote, plan, and coordinate sesquicentennial activities which would occur throughout Oregon in 2009. One of the six signature events is called "Take Care of Oregon Days". As a way of assisting each community, Oregon 150 contracted with SOLV, Oregon Volunteers and Rural Development Initiative to develop and coordinate the projects. To prepare for the projects, volunteer action trainings for project leaders were held throughout the state from July 2008-January 2009. The projects range from small clean-up projects to major construction projects such as parks and trails, or painting and rehabilitating public use structures. for project leaders.

3. Cash

The following is a summary of cash by net assets:

	<u>2008</u>	<u>2007</u>
Unrestricted net assets	\$245,015	\$217,705
Temporarily restricted – programs	76,388	254,517
Permanently restricted	<u>8,101</u>	<u>-</u>
	<u>\$329,504</u>	<u>\$472,222</u>

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008 and 2007

4. Contributions Receivable

Contributions receivable consist of unconditional promises to give as follows at December 31, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Receivable in less than one year	\$140,825	\$196,620	\$ -	\$337,445
Receivable in one to five years	<u>-</u>	<u>133,286</u>	<u>-</u>	<u>133,286</u>
	140,825	329,906	-	470,731
Less discounts to net present value	<u>-</u>	<u>(10,534)</u>	<u>-</u>	<u>(10,534)</u>
	<u>\$140,825</u>	<u>\$319,372</u>	<u>\$ -</u>	<u>\$460,197</u>

The discount rate used on long-term contributions receivable was 5%.

Contributions receivable consist of unconditional promises to give as follows at December 31, 2007:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Receivable in less than one year	\$188,061	\$398,551	\$ -	\$586,612
Receivable in one to five years	<u>-</u>	<u>218,429</u>	<u>-</u>	<u>218,429</u>
	188,061	616,980	-	805,041
Less discounts to net present value	<u>-</u>	<u>(15,406)</u>	<u>-</u>	<u>(15,406)</u>
	<u>\$188,061</u>	<u>\$601,574</u>	<u>\$ -</u>	<u>\$789,635</u>

5. Investments

The fair values of investments are summarized as follows:

	<u>2008</u>	<u>2007</u>
Pooled investment fund maintained by the Oregon Community Foundation (OCF)	\$ 806,730	\$1,185,974
Mutual funds	412,463	618,988
Common stock	<u>-</u>	<u>534</u>
	<u>\$1,219,193</u>	<u>\$1,805,496</u>

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008 and 2007

5. Investments, Continued

The pooled investment fund assets are invested by OCF principally in common stocks and bonds, and are carried at fair market value. Income earned by the pooled investment fund is distributed to SOLV not less than annually based on a reasonable rate of return as determined by the board of directors of the OCF. Additional distributions from the fund can be requested by SOLV's board of directors. Distributions totaled \$45,894 and \$41,914 in 2008 and 2007, respectively.

The portfolio of mutual funds consists of investments in twelve different funds at December 31, 2008 and 2007, ranging from fixed income funds to growth funds. The asset allocation at December 31, 2008 and 2007, consisted of approximately 50.2% and 55.8% in stocks and 49.8% and 44.2% in bonds, respectively.

The following is a summary of investments by net assets:

	<u>2008</u>	<u>2007</u>
Unrestricted	\$ 21,401	\$ 505,629
Permanently restricted endowment	<u>1,197,792</u>	<u>1,299,867</u>
	<u>\$1,219,193</u>	<u>\$1,805,496</u>

There are no donor restrictions on earnings on temporarily restricted or permanently restricted investments. Thus all earnings from investments are classified as unrestricted in the statement of activities, except for amounts required to restore prior year losses in permanently restricted investments.

Investment return (loss) consists of the following:

	<u>2008</u>	<u>2007</u>
Interest and dividends	\$ 53,536	\$ 48,164
Realized gains	8,135	56,370
Unrealized gains (losses)	(527,696)	87,442
Fees and expenses	<u>(15,930)</u>	<u>(15,326)</u>
	<u>\$(481,955)</u>	<u>\$176,650</u>

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008 and 2007

6. Vehicles and Equipment

Vehicles and equipment consist of the following:

	<u>2008</u>	<u>2007</u>
Vehicles	\$ 32,411	\$ 32,411
Equipment	164,118	167,031
Leasehold improvements	<u>10,739</u>	<u>10,739</u>
	207,268	210,181
Less accumulated depreciation	<u>(134,978)</u>	<u>(123,954)</u>
	<u>\$ 72,290</u>	<u>\$ 86,227</u>

Depreciation and amortization expense was \$21,936 and \$24,085 in 2008 and 2007, respectively.

7. Note Payable to a Bank

In 2007 SOLV obtained an unsecured line-of-credit at a bank in the amount of \$200,000. Interest is payable monthly at prime plus one percent (4.25% at December 31, 2008). The balance outstanding was \$-0- and \$1,070 at December 31, 2008 and 2007, respectively.

8. Lease Commitments

SOLV leases its administrative office and certain office equipment under non-cancelable operating leases.

The following is a schedule of future minimum rental payments under operating leases as of December 31.

2009	\$160,618
2010	161,832
2011	169,924
2012	<u>30,501</u>
	<u>\$522,875</u>

Rent expense for operating leases was \$118,763 and \$109,109 in 2008 and 2007, respectively.

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008 and 2007

9. Retirement Plans

Tax Sheltered Annuity Plan

SOLV provides all employees with the opportunity to contribute to a tax-sheltered annuity plan as described in Section 403(b) of the Internal Revenue Code. 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 among several investment options.

Defined Benefit Plan

SOLV adopted a defined benefit retirement plan effective January 1, 1998. All employees are eligible to enter the plan who have attained age 21, have worked at least 1000 hours per year and have been employed for twelve months. SOLV's policy is to fund accrued pensions costs.

SOLV amended the defined benefit retirement plan by freezing benefit accruals and participation in the plan effective May 15, 2009. There is an estimated funding requirement of up to \$100,000 for 2009 payable in 2010.

The following are disclosures related to the defined benefit pension plan:

	<u>2008</u>	<u>2007</u>
Net Periodic Benefit Cost		
Service cost	\$ 73,615	\$ 71,103
Interest cost	52,250	31,214
Expected return on plan assets	(44,164)	(37,114)
Amortization of transition obligation/(asset)	1,605	1,605
Amortization of (gain)/loss	<u>10,586</u>	<u>-</u>
Net periodic benefit cost	93,892	66,808
SFAS 88 settlement	<u>(114,187)</u>	<u>-</u>
Total net periodic benefit cost	<u>\$ (20,295)</u>	<u>\$ 66,808</u>
Change in Projected Benefit Obligation		
Projected benefit obligation at beginning of year	\$ 619,727	\$ 484,305
Service cost	73,615	68,356
Interest cost	52,250	31,214
SFAS 88 settlement	(206,796)	-
Actuarial (gain)/loss	<u>134,653</u>	<u>35,852</u>
Projected benefit obligation at end of year	<u>\$ 673,449</u>	<u>\$ 619,727</u>

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008 and 2007

9. Retirement Plans, Continued

Change in Fair Value of Plan Assets

Fair value of plan assets at beginning of year	\$ 736,073	\$ 589,083
Actual return on plan assets	(235,393)	24,399
Employer contributions	-	125,258
Settlements	(206,796)	-
Administrative expenses	<u>(3,269)</u>	<u>(2,667)</u>
Fair value of plan assets at end of year	<u>\$ 290,615</u>	<u>\$ 736,073</u>

Key Assumptions

Discount rate for net periodic benefit cost	6.00%	6.00%
Salary scale for net periodic benefit cost	3.50%	3.50%
Expected return on plan assets	6.00%	6.00%
Discount rate for disclosure obligations	6.00%	6.00%
Salary scale for disclosure obligations	3.50%	3.50%

Measurement Date

December 31 December 31

Benefit Obligations at End of Year

Accumulated benefit obligation	\$ 347,026	\$ 428,702
Projected benefit obligation	673,449	619,727

Statement of Funded Status

Projected benefit obligation	\$(673,449)	\$(619,727)
Fair value of plan assets	<u>290,615</u>	<u>736,073</u>
Funded status at end of year	<u>\$(382,834)</u>	<u>\$ 116,346</u>

Amounts Recognized in Statement of Financial Position

Defined benefit pension assets	\$ -	\$ 116,346
Defined benefit pension liabilities	<u>(382,834)</u>	<u>-</u>
Funded status	<u>\$(382,834)</u>	<u>\$ 116,346</u>

Amounts Recognized in Unrestricted Net Assets

Net loss/(gain)	\$ 362,957	\$ 70,251
Transition obligation/(assets)	<u>18,052</u>	<u>19,657</u>
Total	<u>\$ 381,009</u>	<u>\$ 89,908</u>

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008 and 2007

9. Retirement Plans. Continued

Distribution of Fair Value of Assets by Investment Class

<u>Investment Class</u>	<u>Percentage of Assets</u>
Debt investments	0%
Equity Investments	100%
Other	<u>0%</u>
Fair value as of December 31, 2008	100%

10. Restrictions on Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes and programs:

	<u>2008</u>	<u>2007</u>
Current year general operations	\$126,360	\$186,045
Future years general operations	67,101	180,529
Statewide Outreach	-	43,500
Down By The Riverside	24,000	48,000
Great Oregon Fall Beach Cleanup	7,500	38,000
Great Oregon Spring Beach Cleanup	7,000	39,250
K-12 Youth Education	16,400	23,000
Project Oregon	7,500	37,500
SOLV Citizenship Awards Banquet	24,300	17,900
SOLV IT	41,500	79,000
Team Up For Watershed Health	68,929	54,250
Tree for All	-	12,500
Youth Leadership Program	-	96,617
Oregon Adopt A River	<u>5,170</u>	<u>-</u>
	<u>\$395,760</u>	<u>\$856,091</u>

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008 and 2007

10. Restrictions on Net Assets, Continued

Permanently Restricted

Permanently restricted net assets consist of a permanent endowment for Gift to Oregon support. There were no contributions to the permanent endowment during 2008 or 2007.

Permanently restricted net assets consist of the following:

Cash	\$ 8,101
Investments	<u>1,197,792</u>
	1,205,893
Per balance sheet	<u>1,299,867</u>
	\$ <u>(93,974)</u>

The endowment fund has an unrestricted loss of \$93,974 at December 31, 2008 resulting from investment losses, SOLV will recapture the unrestricted loss through investment gains when market conditions improve.

11. Concentration of Credit Risk

Financial instruments which potentially subject the Organization to significant concentrations of credit risk consist primarily of cash.

SOLV restricts investment of cash and cash equivalents to financial institutions with high credit standing. These financial institutions have locations throughout the country. The Organization's periodic evaluations of the relative credit standing of these financial institutions are considered in the Organization's investment strategy.

Accounts at a financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The amount in excess of the FDIC limit totaled approximately \$-0- and \$208,000 at December 31, 2008 and 2007, respectively.

Money market funds held in investments are not FDIC insured. Money market funds held in investments totaled \$38,807 and \$34,918 at December 31, 2008 and 2007, respectively.

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2008 and 2007

12. In-Kind Contributions

SOLV recognizes contribution revenue for certain services and materials received at the fair value of those materials and services.

In-kind contributions consist of the following for 2008:

	<u>Materials</u>	<u>Service</u>	<u>Total</u>
Program services	\$ 6,974	\$46,414	\$53,388
Management and general	-	1,500	1,500
Development	-	-	-
Recognition event	<u>11,174</u>	<u>18,131</u>	<u>29,305</u>
	<u>\$18,148</u>	<u>\$66,045</u>	<u>\$84,193</u>

In-kind contributions consist of the following for 2007:

	<u>Materials</u>	<u>Service</u>	<u>Total</u>
Program services	\$13,458	\$100,928	\$114,386
Management and general	-	5,100	5,100
Development	25,911	32,762	58,673
Recognition event	<u>12,134</u>	<u>1,010</u>	<u>13,144</u>
	<u>\$51,503</u>	<u>\$139,800</u>	<u>\$191,303</u>