

SOLV

FINANCIAL STATEMENTS

Years ended December 31, 2009 and 2008

with

INDEPENDENT AUDITOR'S REPORT

SOLV

(An Oregon nonprofit 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, 2009 and 2008, 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, 2009 and 2008, 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.

Bashan & Johnson, P.C.

Beaverton, Oregon
May 14, 2010

SOLV

STATEMENTS OF FINANCIAL POSITION

December 31, 2009 and 2008

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
Cash (Note 3)	\$ 418,150	\$ 329,504
Accounts receivable	100,248	176,644
Contributions receivable (Note 4)	433,566	460,197
Investments (Note 5)	1,446,765	1,219,193
Inventory	376	-
Prepaid expenses and deposits	20,818	20,968
Defined benefit pension assets (Note 10)	25,426	-
Vehicles and equipment, net (Note 7)	<u>43,352</u>	<u>72,290</u>
Total assets	<u>\$2,488,701</u>	<u>\$2,278,796</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Liabilities:		
Note payable to a bank (Note 8)	\$ -	\$ -
Accounts payable	32,941	44,349
Accrued payroll, payroll taxes and benefits payable	31,566	70,905
Defined benefit pension liabilities (Note 10)	<u>-</u>	<u>382,834</u>
Total liabilities	<u>64,507</u>	<u>498,088</u>
Commitments and contingencies (Note 9)	-	-
Net assets (Note 11):		
Unrestricted	788,264	85,081
Temporarily restricted	336,063	395,760
Permanently restricted	<u>1,299,867</u>	<u>1,299,867</u>
Total net assets	<u>2,424,194</u>	<u>1,780,708</u>
Total liabilities and net assets	<u>\$2,488,701</u>	<u>\$2,278,796</u>

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

SOLV

STATEMENT OF ACTIVITIES

Year ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT				
Grants and contributions	\$1,062,944	\$287,503	\$ -	\$1,350,447
Contract revenue	218,856	-	-	218,856
Investment gain	281,298	-	-	281,298
In-kind contributions (Note 13)	149,933	-	-	149,933
Recognition event	258,391	-	-	258,391
Other income	501	-	-	501
Interest income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and gains	1,971,923	287,503	-	2,259,426
Net assets released from restrictions	<u>347,200</u>	<u>(347,200)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>2,319,123</u>	<u>(59,697)</u>	<u>-</u>	<u>2,259,426</u>
EXPENSES				
Program services	1,180,430	-	-	1,180,430
Management and general	281,391	-	-	281,391
Development	51,038	-	-	51,038
Recognition event	<u>103,081</u>	<u>-</u>	<u>-</u>	<u>103,081</u>
Total expenses	<u>1,615,940</u>	<u>-</u>	<u>-</u>	<u>1,615,940</u>
INCREASE (DECREASE) IN NET ASSETS	703,183	(59,697)	-	643,486
NET ASSETS, beginning of year	<u>85,081</u>	<u>395,760</u>	<u>1,299,867</u>	<u>1,780,708</u>
NET ASSETS, end of year	<u>\$ 788,264</u>	<u>\$336,063</u>	<u>\$1,299,867</u>	<u>\$2,424,194</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 13)	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	-	-	2,110,076
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.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2009

	Program Services	Management and General	Development	Recognition Event	Total
Salaries and benefits	\$ 864,271	\$ 228,603	\$ 21,768	\$ 20,591	\$ 1,135,233
Change in pension obligation	(376,305)	(20,356)	(11,599)	-	(408,260)
Professional fees and contract services	184,373	41,243	89	10,076	235,781
Occupancy	123,145	11,517	11,517	4,319	150,498
Supplies	3,505	2,355	169	305	6,334
Printing	24,096	2,540	3,276	1,963	31,875
Postage and shipping	12,436	506	2,807	392	16,141
Advertising	6,549	-	-	-	6,549
Insurance	17,432	1,070	105	125	18,732
Meetings	2,277	3,154	467	3	5,901
Travel and transportation	28,468	1,271	220	370	30,329
Telephone	8,615	1,313	1,290	175	11,393
Event services	99,878	67	1,851	50,216	152,012
Project grants	18,614	-	-	-	18,614
Recognition awards	450	1,687	83	2,975	5,195
Fees and dues	7,661	4,617	8,150	171	20,599
Pledge write-offs	600	-	10,450	-	11,050
Donated goods and services	138,715	-	170	11,048	149,933
Total expenses before depreciation	1,164,780	279,587	50,813	102,729	1,597,909
Depreciation	15,650	1,804	225	352	18,031
Total expenses	\$ 1,180,430	\$ 281,391	\$ 51,038	\$ 103,081	\$ 1,615,940

SOLV

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2008

	Program Services	Management and General	Development	Recognition Event	Total
Salaries and benefits	\$ 1,080,832	\$ 164,826	\$ 94,932	\$ 27,592	\$ 1,368,182
Change in pension obligation	460,109	24,889	14,182	-	499,180
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
Recognition awards	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.

SOLV

STATEMENTS OF CASH FLOWS

Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from donors and service recipients	\$1,931,222	\$1,912,072
Cash paid to employees and suppliers	(1,907,202)	(2,151,735)
Interest and dividends received	<u>-</u>	<u>1,666</u>
Net cash provided (used) by operating activities	<u>24,020</u>	<u>(237,997)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Distributions from investments	88,478	108,212
Purchase of investments	(34,752)	(2,115)
Purchase of vehicles and equipment	-	(9,748)
Proceeds from sale of vehicles and equipment	<u>10,900</u>	<u>-</u>
Net cash provided by investing activities	<u>64,626</u>	<u>96,349</u>
CASH FLOWS FROM FINANCING ACTIVITIES (Note 14):		
Repayments on credit line	<u>-</u>	<u>(1,070)</u>
Net cash provided (used) by financing activities	<u>-</u>	<u>(1,070)</u>
Increase (decrease) in cash and cash equivalents	88,646	(142,718)
Cash and cash equivalents, beginning of year	<u>329,504</u>	<u>472,222</u>
Cash and cash equivalents, end of year	<u>\$ 418,150</u>	<u>\$ 329,504</u>

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

SOLV

STATEMENTS OF CASH FLOWS, CONTINUED

Years ended December 31, 2009 and 2008

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

	<u>2009</u>	<u>2008</u>
Change in net assets	\$ 643,486	\$(1,448,488)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	18,031	21,936
Loss on sale of vehicles and equipment	7	-
Net unrealized and realized gains (losses) on investments	(281,298)	481,955
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	76,396	(52,998)
Decrease in contributions receivable	26,631	329,438
Increase in inventory	(376)	-
Decrease in prepaid expenses and deposits	150	1,088
(Increase) decrease in defined benefit pension assets	(25,426)	116,346
(Decrease) increase in accounts payable	(11,408)	17,221
Decrease in accrued payroll, payroll taxes and benefits payable	(39,339)	(87,329)
(Decrease) increase in defined benefit pension liabilities	<u>(382,834)</u>	<u>382,834</u>
Net cash provided (used) by operating activities	<u>\$ 24,020</u>	<u>\$ (237,997)</u>

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

SOLV

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

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 net 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, 2009 and 2008

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, 2009 and 2008

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.

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.

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009 and 2008

1. Organization and Summary of Significant Accounting Policies, Continued

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.

Reclassification

Certain reclassifications were made to the 2008 financial statements to conform to the 2009 presentation.

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.

Subsequent Events

Subsequent events have been evaluated through May 14, 2010, the date that the financial statements are available to be issued.

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. In 2010 the fall beach cleanup will combine with Down by the Riverside for the first Beach and Riverside Cleanup.

SOLV Clean and Green Project - The SOLV Clean and Green Project unites hundreds of volunteers to collaborate on projects that will enhance the livability of Washington County. It is the result of SOLV's focus on regionally-based cleanup, beautification and enhancement programs.

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009 and 2008

2. Program Services, Continued

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.

Down By The Riverside - Since its start twelve 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. In 2010 Down by the Riverside will merge with the fall beach cleanup.

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.

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.

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. Tree for All will become a component of Project Oregon in 2010.

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009 and 2008

2. Program Services, Continued

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!

Volunteer Outreach - 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 nonprofit 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>2009</u>	<u>2008</u>
Unrestricted net assets	\$360,375	\$245,015
Temporarily restricted – programs	57,775	76,388
Permanently restricted	<u>-</u>	<u>8,101</u>
	<u>\$418,150</u>	<u>\$329,504</u>

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009 and 2008

4. Contributions Receivable

Contributions receivable consist of unconditional promises to give as follows at December 31, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Receivable in less than one year	\$155,278	\$197,236	\$ -	\$352,514
Receivable in one to five years	<u>-</u>	<u>97,959</u>	<u>-</u>	<u>97,959</u>
	155,278	295,195	-	450,473
Less discounts to net present value	<u>-</u>	<u>(16,907)</u>	<u>-</u>	<u>(16,907)</u>
	<u>\$155,278</u>	<u>\$278,288</u>	<u>\$ -</u>	<u>\$433,566</u>

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%.

5. Investments

The fair values of investments are summarized as follows:

	<u>2009</u>	<u>2008</u>
Pooled investment fund maintained by the Oregon Community Foundation (OCF)	\$ 935,658	\$ 806,730
Mutual funds	<u>511,107</u>	<u>412,463</u>
	<u>\$1,446,765</u>	<u>\$1,219,193</u>

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009 and 2008

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 \$48,478 and \$45,894 in 2009 and 2008, respectively.

The portfolio of mutual funds consists of investments in twelve different funds at December 31, 2009 and 2008, ranging from fixed income funds to growth funds. The asset allocation at December 31, 2009 and 2008 consisted of approximately 51.5% and 50.2% in stocks and 48.5% and 49.8% in bonds, respectively.

The following is a summary of investments by net assets:

	<u>2009</u>	<u>2008</u>
Unrestricted	\$ 146,898	\$ 21,401
Permanently restricted endowment	<u>1,299,867</u>	<u>1,197,792</u>
	<u>\$1,446,765</u>	<u>\$1,219,193</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>2009</u>	<u>2008</u>
Interest and dividends	\$ 31,920	\$ 53,536
Realized gains (losses)	(73,290)	8,135
Unrealized gains (losses)	335,704	(527,696)
Fees and expenses	<u>(13,036)</u>	<u>(15,930)</u>
	<u>\$ 281,298</u>	<u>\$(481,955)</u>

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009 and 2008

6. Fair Value Measurement

SFAS No. 157 establishes a framework for measuring fair value, clarifies the definition of fair value and expands disclosures about fair-value measurements. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability. Fair value is a market-based measurement that should be determined using assumptions that market participants would use in pricing an asset or liability. SFAS No. 157 establishes a valuation hierarchy for disclosure of fair value measurements. The categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The categories within the valuation hierarchy are described below:

Level 1 – Financial instruments with quoted prices in active markets for identical assets or liabilities. The Organization’s level 1 financial instruments consist of mutual funds.

Level 2 – Financial instruments with quoted prices in active markets for similar assets or liabilities. Level 2 fair value measurements are determined using either prices for similar instruments or inputs that are either directly or indirectly observable, such as interest rates. The Organization does not have any financial assets or liabilities being measured at fair value that are classified as level 2 financial instruments.

Level 3 – Inputs to the fair value measurements are unobservable inputs or valuation techniques. The Organization’s level 3 financial instruments include pooled investment funds.

A summary of financial assets measured at fair value is as follows:

Assets	Total at December 31, 2009	Quoted Price in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Input (Level 3)
Mutual funds	\$ 511,107	\$ 511,107	\$ -	\$ -
Pooled investment funds	<u>935,658</u>	<u>-</u>	<u>-</u>	<u>935,658</u>
Total assets at fair value	<u>\$1,446,765</u>	<u>\$ 511,107</u>	<u>\$ -</u>	<u>\$ 935,658</u>

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009 and 2008

6. Fair Value Measurement, Continued

The following table sets forth a summary of changes in fair value of the Level 3 assets for the year ended December 31, 2009:

	<u>Pooled Investment Funds</u>
Balance, beginning of year	\$806,730
Interest and dividends	15,790
Realized losses	(71,881)
Unrealized gains	240,621
Fees and expenses	(7,124)
Disbursements	<u>(48,478)</u>
Balance, end of year	<u>\$935,658</u>

7. Vehicles and Equipment

Vehicles and equipment consist of the following:

	<u>2009</u>	<u>2008</u>
Vehicles	\$ 8,300	\$ 32,411
Equipment	164,118	164,118
Leasehold improvements	<u>10,739</u>	<u>10,739</u>
	183,157	207,268
Less accumulated depreciation	<u>(139,805)</u>	<u>(134,978)</u>
	<u>\$ 43,352</u>	<u>\$ 72,290</u>

Depreciation and amortization expense was \$18,031 and \$21,936 in 2009 and 2008, respectively.

8. Note Payable to a Bank

SOLV has an unsecured line-of-credit at a bank in the amount of \$200,000. Interest is payable monthly at bank prime rate plus one percent (4.75% at December 31, 2009). There was no balance outstanding at December 31, 2009 or 2008.

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009 and 2008

9. 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.

2010	\$161,688
2011	169,780
2012	39,077
2013	12,936
2014	<u>9,702</u>
	<u>\$393,183</u>

Rent expense for operating leases was \$165,915 and \$118,763 in 2009 and 2008, respectively.

10. 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.

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009 and 2008

10. Retirement Plans, Continued

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

	<u>2009</u>	<u>2008</u>
Net Periodic Benefit Cost		
Service cost	\$ 3,500	\$ 73,615
Interest cost	18,547	52,250
Expected return on plan assets	(17,198)	(44,164)
Amortization of transition obligation/(asset)	-	1,605
Amortization of (gain)/loss	<u>-</u>	<u>10,586</u>
Net periodic benefit cost	4,849	93,892
SFAS 88 curtailment	17,165	-
SFAS 88 settlement	<u>(5,312)</u>	<u>(114,187)</u>
Total net periodic benefit cost	<u>\$ 16,702</u>	<u>\$ (20,295)</u>
Change in Projected Benefit Obligation		
Projected benefit obligation at beginning of year	\$ 673,449	\$ 619,727
Service cost	-	73,615
Interest cost	18,547	52,250
SFAS 88 curtailments	(203,597)	-
SFAS 88 settlement	-	(206,796)
Disbursements	(35,272)	-
Actuarial (gain)/loss	<u>(161,275)</u>	<u>134,653</u>
Projected benefit obligation at end of year	<u>\$ 291,852</u>	<u>\$ 673,449</u>
Change in Fair Value of Plan Assets		
Fair value of plan assets at beginning of year	\$ 290,615	\$ 736,073
Actual return on plan assets	66,633	(235,393)
Employer contributions	-	-
Settlements	-	(206,796)
Benefits paid	(35,272)	-
Administrative expenses	<u>(4,698)</u>	<u>(3,269)</u>
Fair value of plan assets at end of year	<u>\$ 317,278</u>	<u>\$ 290,615</u>

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009 and 2008

10. Retirement Plans, Continued

	<u>2009</u>	<u>2008</u>
Key Assumptions		
Discount rate for net periodic benefit cost	6.00%	6.00%
Salary scale for net periodic benefit cost	N/A	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	N/A	3.50%
Measurement Date	December 31	December 31
Benefit Obligations at End of Year		
Accumulated benefit obligation	\$ 291,852	\$ 347,026
Projected benefit obligation	291,852	673,449
Statement of Funded Status		
Projected benefit obligation	\$(291,852)	\$(673,449)
Fair value of plan assets	<u>317,278</u>	<u>290,615</u>
Funded status at end of year	<u>\$ 25,426</u>	<u>\$(382,834)</u>
Amounts Recognized in Statement of Financial Position		
Defined benefit pension assets	\$ 25,426	\$ -
Defined benefit pension liabilities	<u>-</u>	<u>(382,834)</u>
Funded status	<u>\$ 25,426</u>	<u>\$(382,834)</u>
Amounts Recognized in Unrestricted Net Assets		
Net loss/(gain)	\$ (43,953)	\$ 362,957
Transition obligation/(assets)	<u>-</u>	<u>18,052</u>
Total	<u>\$ (43,953)</u>	<u>\$ 381,009</u>
Information for Pension Plans with an Accumulated Benefit Obligation in Excess of Plan Assets		
Projected benefit obligation	N/A	\$673,449
Accumulated benefit obligation	N/A	\$347,026
Fair value of plan assets	N/A	\$290,615

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009 and 2008

10. Retirement Plans, Continued

	<u>2009</u>	<u>2008</u>
Other Changes in Plan Assets and Benefit Obligations Recognized in Unrestricted Net Assets		
Net (gain)/loss	\$(424,962)	\$ 417,479
Amortization of net gain/(loss)	-	(10,586)
Amortization of transition (obligation)/asset	<u>-</u>	<u>(1,605)</u>
Total recognized in unrestricted net assets	<u>\$(424,962)</u>	<u>\$ 405,288</u>
Total recognized in net periodic benefit cost and unrestricted net assets before settlement	\$(408,260)	\$ 499,180
Effect of settlement	<u>-</u>	<u>(114,187)</u>
Total recognized in net periodic benefit cost and unrestricted net assets after settlement	<u>\$(408,260)</u>	<u>\$ 384,993</u>

The estimated net loss, prior service cost and transition obligation for the defined benefit pension plans that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are \$479, \$-0- and \$-0-, respectively.

Expected Contributions to the Trust

2010 Expected plan contributions \$ N/A

Expected Benefit Payments from the Trust

2010 Expected benefit payments	(year 1)	\$ 966
2011 Expected benefit payments	(year 2)	955
2012 Expected benefit payments	(year 3)	4,037
2013 Expected benefit payments	(year 4)	6,708
2014 Expected benefit payments	(year 5)	22,516
2015-2019 Expected benefit payments	(year 6-10)	108,593

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, 2009	100%

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009 and 2008

11. Restrictions on Net Assets

Temporarily Restricted Net Assets

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

	<u>2009</u>	<u>2008</u>
Current year general operations	\$ 54,491	\$126,360
Future years general operations	116,568	67,101
Down By The Riverside	-	24,000
Great Oregon Fall Beach Cleanup	7,500	7,500
Great Oregon Spring Beach Cleanup	4,000	7,000
K-12 Youth Education	5,000	16,400
Project Oregon	7,000	7,500
SOLV Citizenship Awards Banquet	-	24,300
SOLV IT	57,000	41,500
Team Up For Watershed Health	84,504	68,929
Oregon Adopt A River	<u>-</u>	<u>5,170</u>
	<u>\$336,063</u>	<u>\$395,760</u>

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 2009 or 2008.

Permanently restricted net assets consist of the following:

Investments	<u>\$1,299,867</u>
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12. 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 \$-0- at December 31, 2009 and 2008, respectively.

Money market funds held in investments are not FDIC insured. Money market funds held in investments totaled \$24,427 and \$38,807 at December 31, 2009 and 2008, respectively.

SOLV

NOTES TO FINANCIAL STATEMENTS, CONTINUED

December 31, 2009 and 2008

13. 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 2009:

	<u>Materials</u>	<u>Service</u>	<u>Total</u>
Program services	\$ 1,514	\$137,201	\$138,715
Management and general	-	-	-
Development	-	170	170
Recognition event	<u>10,530</u>	<u>518</u>	<u>11,048</u>
	<u>\$12,044</u>	<u>\$137,889</u>	<u>\$149,933</u>

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>