

OREGON ENVIRONMENTAL COUNCIL, INC.

FINANCIAL STATEMENTS

Year Ended March 31, 2010



Oregon
Environmental
Council
It's Your Oregon

OREGON ENVIRONMENTAL COUNCIL, INC.

FINANCIAL STATEMENTS

Year Ended March 31, 2010

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KERN & THOMPSON, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Oregon Environmental Council, Inc.
Portland, Oregon

We have audited the statement of financial position of Oregon Environmental Council, Inc. (a not-for-profit corporation) as of March 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of Oregon Environmental Council, Inc. as of March 31, 2009 and, in our report dated July 9, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 audit provides 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 Oregon Environmental Council, Inc. at March 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Kern & Thompson, LLC

Portland, Oregon
July 9, 2010

OREGON ENVIRONMENTAL COUNCIL, INC.

STATEMENT OF FINANCIAL POSITION

March 31, 2010

(With Comparative Totals as of March 31, 2009)

ASSETS

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 197,367	\$ 493,329
Investments	569,086	423,060
Grants receivable	45,550	284,180
Unbilled receivable	3,501	12,777
Prepaid expenses	32,713	27,161
Property and equipment	<u>2,919</u>	<u>12,522</u>
Total assets	\$ <u>851,136</u>	\$ <u>1,253,029</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 6,662	\$ 21,832
Wages and payroll taxes payable	70,647	26,132
Long-term debt	<u>-</u>	<u>2,709</u>
Total liabilities	<u>77,309</u>	<u>50,673</u>
Net assets		
Unrestricted		
Board designated for Initiative Fund	15,000	15,000
Available for operations	<u>(20,114)</u>	<u>(124,169)</u>
Total unrestricted	(5,114)	(109,169)
Temporarily restricted	350,215	882,799
Permanently restricted	<u>428,726</u>	<u>428,726</u>
Total net assets	<u>773,827</u>	<u>1,202,356</u>
Total liabilities and net assets	\$ <u>851,136</u>	\$ <u>1,253,029</u>

See notes to financial statements.

OREGON ENVIRONMENTAL COUNCIL, INC.

STATEMENT OF ACTIVITIES

Year Ended March 31, 2010

(With Comparative Totals for the Year Ended March 31, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2010	2009
Revenues and other support					
Individual memberships and contributions	\$ 87,538	\$ -	\$ -	\$ 87,538	\$ 108,667
Major donor: general support	131,668	-	-	131,668	79,845
Major donor: program specific	27,100	10,000	-	37,100	84,700
Corporate sponsor: general support	25,050	-	-	25,050	-
Corporate sponsor: program specific	30,418	-	-	30,418	-
Grants	170,470	290,562	-	461,032	993,950
Government	61,943	-	-	61,943	16,822
Event tickets/sponsors/merchandise	16,004	-	-	16,004	200,589
Earth Share contributions	9,125	-	-	9,125	9,023
Interest income	5,745	-	-	5,745	3,074
Other	19,832	-	-	19,832	1,438
	<u>584,893</u>	<u>300,562</u>	<u>-</u>	<u>885,455</u>	<u>1,498,108</u>
Net assets released from restrictions	966,335	(966,335)	-	-	-
Total revenues and other support	<u>1,551,228</u>	<u>(665,773)</u>	<u>-</u>	<u>885,455</u>	<u>1,498,108</u>
Expenses					
Program services					
Slow Global Warming	279,795	-	-	279,795	245,762
Protect Kids' Health from Toxics	537,302	-	-	537,302	481,195
Create a Sustainable Food and Farm System	188,984	-	-	188,984	127,822
Clean Up Rivers	156,565	-	-	156,565	89,101
Build a Sustainable Economy	-	-	-	-	117,939
Strengthen Support in Legislature	54,361	-	-	54,361	113,520
Marketing and Communications	45,919	-	-	45,919	79,951
Total program services	<u>1,262,926</u>	<u>-</u>	<u>-</u>	<u>1,262,926</u>	<u>1,255,290</u>
Supporting services					
Development	127,883	-	-	127,883	178,020
Management and general	56,364	-	-	56,364	77,158
Total expenses	<u>1,447,173</u>	<u>-</u>	<u>-</u>	<u>1,447,173</u>	<u>1,510,468</u>
Change in net assets before changes in investments	104,055	(665,773)	-	(561,718)	(12,360)
Net investment income	-	11,719	-	11,719	11,460
Realized and unrealized appreciation/ (depreciation) of investments	-	121,470	-	121,470	(135,196)
Change in net assets	104,055	(532,584)	-	(428,529)	(136,096)
Net assets - beginning of year	<u>(109,169)</u>	<u>882,799</u>	<u>428,726</u>	<u>1,202,356</u>	<u>1,338,452</u>
Net assets - end of year	<u>\$ (5,114)</u>	<u>\$ 350,215</u>	<u>\$ 428,726</u>	<u>\$ 773,827</u>	<u>\$ 1,202,356</u>

See notes to financial statements.

OREGON ENVIRONMENTAL COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended March 31, 2010
 (With Comparative Totals for the Year Ended March 31, 2009)

	PROGRAM SERVICES						SUPPORTING SERVICES			Total
	Protect Kids' Health from Toxics	Create a Sustainable Food and Farm System	Clean Up Rivers	Strengthen Support in Legislature	Marketing and Communications	Total Program	Development	Management and General	2010	
Salaries	\$ 150,615	\$ 89,758	\$ 73,949	\$ 32,269	\$ 28,585	\$ 689,710	\$ 70,599	\$ 30,006	\$ 790,315	\$ 741,756
Payroll taxes and benefits	34,835	21,445	17,444	7,250	6,871	161,500	17,282	7,630	186,412	171,903
Professional services	54,427	59,761	47,606	8,732	2,739	232,430	7,760	10,329	250,519	310,568
Rent and insurance	12,636	7,773	6,355	2,499	2,507	58,544	6,086	1,857	66,487	57,164
Printing, postage and telephone	10,552	3,836	3,722	1,369	3,664	62,749	20,928	60	83,737	131,853
Equipment, supplies, dues and fees	5,199	1,985	1,970	588	723	17,889	1,575	4,178	23,642	37,794
Staff travel, meetings, education	10,040	3,509	4,769	1,359	534	33,195	2,935	327	36,457	44,307
Depreciation	1,491	917	750	295	296	6,909	718	1,977	9,604	15,123
	\$ 279,795	\$ 188,984	\$ 156,565	\$ 54,361	\$ 45,919	\$ 1,262,926	\$ 127,883	\$ 56,364	\$ 1,447,173	\$ 1,510,468

See notes to financial statements.

OREGON ENVIRONMENTAL COUNCIL, INC.

STATEMENT OF CASH FLOWS

Year Ended March 31, 2010

(With Comparative Totals for the Year Ended March 31, 2009)

	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ (428,529)	\$ (136,096)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	9,603	15,123
Realized and unrealized net losses (gains) on investments	(121,470)	123,736
Changes in assets and liabilities:		
Grants receivable	238,630	291,190
Unbilled receivable	9,276	(12,777)
Prepaid expenses	(5,552)	(9,808)
Accounts payable	(15,170)	(3,992)
Wages and payroll taxes payable	44,515	(15,098)
Deferred revenue	-	(49,016)
Net cash provided by (used in) operating activities	(268,697)	203,262
Cash flows from investing activities:		
Proceeds from sale of investments	21,789	97,148
Purchase of investments	(46,345)	(112,927)
Net cash provided by (used in) investing activities	(24,556)	(15,779)
Cash flows from financing activities:		
Payments on long-term debt	(2,709)	(4,394)
Net change in cash and cash equivalents	(295,962)	183,089
Cash and cash equivalents, beginning of year	493,329	310,240
Cash and cash equivalents, end of year	\$ 197,367	\$ 493,329
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 63	\$ 358

See notes to financial statements.

OREGON ENVIRONMENTAL COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

NOTE A – DESCRIPTION OF ORGANIZATION

Oregon Environmental Council, Inc. (the Council) is an Oregon nonprofit corporation founded in 1968 to bring Oregonians together for a healthy environment. Working together through the Council, ordinary Oregonians have accomplished extraordinary things, creating landmark environmental programs such as the Bottle Bill, curbside recycling, the nation's strongest "right to know" program for pesticide use, and the first ban on many consumer products that contain toxic mercury. The Council's work depends upon voluntary donations from individual Oregonians, private foundations, and other supporters. To accomplish their mission, the Council has the following distinct programs:

- **Slow Global Warming.** The Council promotes solutions to global warming, including climate-friendly transportation, clean energy and energy efficiency. The Council has built a "Cool Oregon" coalition of businesses, organizations, local government leaders, and other influential Oregonians to support state and regional public policy efforts to reduce global warming pollution. The Council led the way for Oregon to adopt a renewable fuels standard that promotes sustainably-produced biofuels, and greenhouse gas reduction goals that put Oregon at the forefront of the nation.
- **Protect Kids' Health From Toxics.** The Council focuses on children's health by reducing toxic chemicals in consumer products, households and school environments. Our award-winning Eco-Healthy Childcare program, across Oregon and nationally, recognizes childcare providers taking steps to reduce environmental threats. Working with the Oregon chapter of Collaborative on Health and Environment and other partners, we work to create a smarter public policy which reduces usage of toxic chemicals that pose significant risks to human health.
- **Create a Sustainable Food and Farm System.** The Council works to promote sustainable agriculture and community-based food systems in Oregon. The Council works with the winery and the nursery industry to measure and reduce their climate impact.
- **Clean Up Rivers.** To address urban impact on the health of Oregon's rivers, the Council develops tools and information for local communities, planners and developers to reduce their urban runoff into Oregon's rivers.
- **Strengthen Support in the Legislature.** The Council is a member of the Healthy Climate Partnership, a public education and outreach campaign to promote strong climate protections and clean energy policy in Oregon. The Council is also a member of the Oregon Conservation Network, a coalition of 50+ environmental organizations in Oregon working together for strong environmental protections.
- **Marketing and Communications.** The Council produced four issues of our print newsletter (One Oregon One Environment) and monthly issues of the OEC Online which includes green living solutions. Additionally, the Council distributes bi-monthly issues of the online health newsletter and quarterly issues of the agriculture newsletters.

OREGON ENVIRONMENTAL COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Council considers all highly liquid investments held for the purpose of funding normal operations to be cash equivalents. Cash and cash equivalents held for long-term investment purposes are excluded from cash and cash equivalents and are included in investments regardless of their liquidity.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject the Council to credit risk include cash, investments in marketable securities, and accounts receivable. Cash deposited with financial institutions may occasionally exceed the related federal deposit insurance limits. Management periodically evaluates the relative credit standings of these financial institutions. Management also periodically evaluates the quality of the investments in marketable securities with other institutions, which are partially covered by federal insurance. Future changes in market prices may make such investments less valuable.

Property and Equipment

Property and equipment of \$1,500 or more is recorded at cost. Donations of equipment and furniture are recorded as revenues at their estimated fair market values on the date of receipt. Such donations are reported as unrestricted revenues unless the donor has restricted the donated asset to a specific purpose. Depreciation on the equipment is computed using the straight-line method over the estimated useful lives of the assets that range from three to five years. Maintenance and repairs are expensed when incurred.

OREGON ENVIRONMENTAL COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Fair Value Measurements

Investments are the only assets measured at fair value on a recurring basis. Valuation techniques used to measure fair value are prioritized into the following hierarchy:

- **Level 1** – Quoted prices in active markets for identical assets.
- **Level 2** – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data by correlation such as appraisals or other means such as calculations based on contractual rates and published tables.
- **Level 3** – Unobservable inputs that reflect management's assumptions and best estimates based on available data.

Investments in bonds, equities and mutual funds are carried at fair value based on quoted prices in active markets (all Level 1 measurements) in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. The Council has no assets measured under Level 2 or Level 3.

Income Taxes

The Council has been approved as a tax-exempt organization under the Internal Revenue Code Section 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Council does not believe it has unrelated trade or business income in excess of \$1,000.

The Council's federal exempt organization tax returns for the years ending March 31, 2007, 2008 and 2009 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized in the Statement of Activities. Certain costs, including salaries, occupancy, supplies and equipment rent, have been allocated among the programs and supporting services benefited.

Reclassifications

Certain reclassifications have been made to the 2009 information to conform with the 2010 presentation. These reclassifications had no effect on net assets

Prior Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended March 31, 2009, from which the summarized information was derived.

OREGON ENVIRONMENTAL COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2010

NOTE C – INVESTMENTS

Investments are carried at fair market value as determined by quoted market price (all Level 1 measurements) and consist of the following as of March 31, 2010:

Corporate bonds	\$	163,496
Stocks		275,443
Mutual funds		114,918
Money market fund		11,912
Accrued interest		<u>3,317</u>
	\$	<u>569,086</u>

Investment return is summarized as follows:

Interest and dividend income	\$	15,552
Net realized and unrealized gain		121,470
Custodial fees		<u>(3,833)</u>
	\$	<u>133,189</u>

There have been no changes in valuation techniques and related inputs.

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2010 consist of the following:

Furniture and equipment	\$	55,581
Computers and software		20,430
Leasehold improvement		<u>20,000</u>
		96,011
Less accumulated depreciation		<u>(93,092)</u>
	\$	<u>2,919</u>

NOTE E – DEMAND NOTE PAYABLE

The Council may borrow funds under a margin loan agreement at Schwab Institutional. Total available credit is 50% of the market value of securities at an interest rate of .5% above the Schwab base rate payable monthly and secured by endowment fund investments. No balance was outstanding at March 31, 2010.

NOTE F – CONDITIONAL PROMISES TO GIVE

During fiscal year 2010, the Council received restricted grants totaling \$49,500 that contained donor conditions (primarily matching funds requirements). Since these grants represent conditional promises to give, they are not recorded as contribution revenue until donor conditions are met.

OREGON ENVIRONMENTAL COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2010

NOTE G – UNBILLED RECEIVABLE

The Council has government grant agreements on which work is performed on a monthly basis, but for which payments are received after invoices to the government entity have been submitted. To better align the expenses and income for these projects, income is recognized on a monthly basis on actual billable expenses incurred, thus creating a "receivable" which is reduced when the payment from the government entity has been received.

NOTE H – BOARD DESIGNATED NET ASSETS

The Council's Board of Directors has established a designated reserve for its Initiative Fund. The interest generated by the Board-designated assets is available for operating needs.

NOTE I – TEMPORARILY RESTRICTED NET ASSETS

Net assets temporarily restricted at March 31, 2010 are as follows:

For purpose:

Buchanan Family Foundation	\$ 50,000
Cedar Tree Foundation	61,743
Energy Foundation	60,000
Juan Young Trust	4,071
M.J. Murdock Charitable Trust	30,573
Phileo Foundation	3,000
W.K. Kellogg Foundation	51,848
Total for purpose	<u>261,235</u>

For timing:

Kae Hensey	10,000
Endowment funds (see Note J)	78,980
Total for timing	<u>88,980</u>

\$ 350,215

OREGON ENVIRONMENTAL COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2010

NOTE J – PERMANENTLY RESTRICTED NET ASSETS

The Council's endowment was established from donor-designated gifts for the purpose of providing a steady stream of income for the operating budget. The Board of Directors of the Council (the Board) 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 absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. The remaining portion of the endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Council in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Council 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 donor-restricted endowment funds, (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 Council, and (7) the Council's investment policies.

The Board has adopted an investment policy that attempts to maintain and grow the purchasing power of the endowment assets over the long term. Accordingly, the endowment assets are invested in a well diversified asset mix with a focus on social responsibility.

The Board has a policy of appropriating for distribution each year an amount to be made available from the temporarily restricted net assets for general operations during the next fiscal year. The Council has made an appropriation of \$100,000 to be available if necessary for general operations during the next fiscal year.

OREGON ENVIRONMENTAL COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2010

NOTE J – PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Endowment net asset composition and changes in endowment net assets as of March 31, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, March 31, 2008	\$ -	\$ 169,527	\$ 428,726	\$ 598,253
Contributions	-	-	-	-
Investment return:				
Investment income	-	11,460	-	11,460
Net appreciation (depreciation)	-	(135,197)	-	(135,197)
Appropriation of endowment net assets for expenditure	-	-	-	-
Total investment return	-	(123,737)	-	(123,737)
Endowment net assets as of March 31, 2009	\$ -	\$ 45,790	\$ 428,726	\$ 474,516
Changes in endowment net assets for the year ended March 31, 2010:				
Contributions	\$ -	\$ -	\$ -	-
Investment return:				
Investment income	-	11,719	-	11,719
Net appreciation (depreciation)	-	121,471	-	121,471
Appropriation of endowment assets for expenditure	\$ 100,000	\$ (100,000)	\$ -	-
Total investment return	100,000	33,190	-	133,190
Endowment net assets as of March 31, 2010	\$ 100,000	\$ 78,980	\$ 428,726	\$ 607,706

NOTE K – JOINT COSTS ALLOCATIONS

During the year ended March 31, 2010, the Council conducted activities that included requests for contributions as well as program components. These joint costs included printing and mailing the newsletter and appeals. The total joint costs were allocated as follows:

Program	\$ 6,974
Development	22,249
	\$ 29,223

OREGON ENVIRONMENTAL COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2010

NOTE L – PENSION PLAN

The Council provides a 401(k) plan for its employees. The council may make discretionary contributions to the plan. Contributions to the plan for the year ended March 31, 2010 totaled \$21,302.

NOTE M – LEASES

The Council leases office space under an agreement that has been extended to November 30, 2012. For the year ended March 31, 2010, the total lease expense was \$60,942.

The Council also leases a copier for \$564 per month under an agreement expiring October 2011.

Future minimum rental payments under the leases are as follows:

<u>Year Ending March 31,</u>	<u>Office Space</u>	<u>Copier</u>	<u>Total</u>
2011	\$ 62,436	\$ 6,769	\$ 69,205
2012	64,932	3,949	68,881
2013	<u>44,424</u>	<u>-</u>	<u>44,424</u>
	<u>\$ 171,792</u>	<u>\$ 10,718</u>	<u>\$ 182,510</u>

NOTE N – SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 9, 2010 which is the date financial statements were available to be issued.