

**FRIENDS OF THE COLUMBIA GORGE, INC.
& SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2008

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TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	2
Consolidated Statement of Activities	3
Consolidated Statement of Functional Expenses	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6-11



KERN & THOMPSON, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Friends of the Columbia Gorge, Inc. & Subsidiary
Portland, Oregon

We have audited the accompanying consolidated statement of financial position of Friends of the Columbia Gorge, Inc. & Subsidiary (a not-for-profit corporation) as of June 30, 2008, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of Friends of the Columbia Gorge, Inc. & Subsidiary as of June 30, 2007 and, in our report dated October 10, 2007, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Friends of the Columbia Gorge, Inc. & Subsidiary as of June 30, 2008, 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
November 24, 2008

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2008
(With Comparative Totals as of June 30, 2007)

ASSETS

	2008	2007
Cash and cash equivalents	\$ 3,092,155	\$ 2,395,654
Accounts receivable	8,612	572
Grants and pledges receivable	92,082	-
Investments	985,763	1,384,523
Prepaid expenses	29,955	16,268
Equipment and furniture, net of accumulated depreciation of \$33,899 and \$29,017, respectively	4,533	9,406
Land trust	3,277,771	1,544,222
Total assets	\$ 7,490,871	\$ 5,350,645

LIABILITIES AND NET ASSETS

Accounts payable	\$ 26,024	\$ 19,359
Accrued vacation pay	15,676	11,757
Accrued employee benefits	965	815
Total liabilities	42,665	31,931
Net assets		
Unrestricted		
Available for operations	1,893,264	1,116,481
Net investment in land, equipment and furniture	3,282,304	1,553,628
Board designated - Building Blocks	340,267	368,050
Board designated - reserves and endowment	1,351,863	1,691,091
	6,867,698	4,729,250
Temporarily restricted	376,701	436,927
Permanently restricted	203,807	152,537
Total net assets	7,448,206	5,318,714
Total liabilities and net assets	\$ 7,490,871	\$ 5,350,645

See notes to consolidated financial statements.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

(With Comparative Totals for the Year Ended June 30, 2007)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Public support and other revenue			
Foundations	\$ 141,921	\$ -	\$ 51,270
Contributions	135,775	1,482,925	-
Bequests	-	-	-
Memberships	391,993	-	-
Non-cash donations	925,000	-	-
Dividends and interest	176,195	-	-
Other	27,154	-	-
	<u>1,798,038</u>	<u>1,482,925</u>	<u>51,270</u>
Net assets released from restrictions			
Satisfaction of purpose	1,543,151	(1,543,151)	-
Total public support and other revenue	<u>3,341,189</u>	<u>(60,226)</u>	<u>51,270</u>
Expenses			
Program services			
Land trust	173,552	-	-
Membership and outreach	223,394	-	-
Legal	92,247	-	-
Conservation	234,998	-	-
Lobbying	26,801	-	-
Creating Parks and Trails	14,766	-	-
Casino	130,365	-	-
Total program services	<u>896,123</u>	<u>-</u>	<u>-</u>
Supporting services			
Management and general	94,211	-	-
Fund-raising	104,591	-	-
Total expenses	<u>1,094,925</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets before change in investments	2,246,264	(60,226)	51,270
Net realized and unrealized appreciation (depreciation) of investments	<u>(107,816)</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>2,138,448</u>	<u>(60,226)</u>	<u>51,270</u>
Net assets, beginning of year	<u>4,729,250</u>	<u>436,927</u>	<u>152,537</u>
Net assets, end of year	<u><u>\$ 6,867,698</u></u>	<u><u>\$ 376,701</u></u>	<u><u>\$ 203,807</u></u>

See notes to consolidated financial statements.

		Total	
		<u>2008</u>	<u>2007</u>
\$	193,191	\$	564,453
	1,618,700		70,066
	-		1,416,094
	391,993		332,929
	925,000		-
	176,195		162,455
	27,154		11,209
	<u>3,332,233</u>		<u>2,557,206</u>
	-		-
	<u>3,332,233</u>		<u>2,557,206</u>
	173,552		149,268
	223,394		205,538
	92,247		80,639
	234,998		190,521
	26,801		57,406
	14,766		13,132
	130,365		163,740
	<u>896,123</u>		<u>860,244</u>
	94,211		82,116
	104,591		81,646
	<u>1,094,925</u>		<u>1,024,006</u>
	2,237,308		1,533,200
	<u>(107,816)</u>		<u>107,630</u>
	2,129,492		1,640,830
	<u>5,318,714</u>		<u>3,677,884</u>
\$	<u>7,448,206</u>	\$	<u>5,318,714</u>

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2008
(With Comparative Totals for the Year Ended June 30, 2007)

						PROGRAM
	Land Trust	Membership and Outreach	Legal	Conserva- tion	Lobbying	Creating Parks & Trails
Salaries	\$ 83,026	\$ 76,208	\$ 36,480	\$ 119,428	\$ 13,758	\$ 9,426
Payroll taxes	7,352	6,972	3,170	10,682	1,209	821
Benefits	13,003	12,848	5,841	16,801	2,773	1,460
Rent	6,949	7,143	3,131	9,430	1,631	947
Printing	1,128	3,282	732	2,155	353	123
Publication costs	109	39,155	-	-	-	-
Prospect costs	2,155	15,142	-	-	-	-
Postage	1,668	2,383	627	1,688	290	154
Office supplies	1,896	1,175	392	1,120	197	100
Telephone	1,738	1,967	818	4,771	470	437
Training	1,051	168	561	937	20	10
Equipment maintenance	888	1,238	418	1,896	208	104
Dues and subscriptions	683	57	1,379	1,082	1,763	306
Insurance	5,615	664	295	812	148	74
Board and staff meetings	218	744	87	758	44	22
Event costs	-	23,256	-	1,760	-	-
Professional services	6,559	27,005	36,622	50,409	3,764	140
Travel	-	1,586	1,098	9,841	14	438
Merchandise expense	-	1,470	-	-	-	-
Land maintenance	33,008	-	-	-	-	-
Bank fees	5,488	-	-	-	-	-
Write off of uncollectible gifts	-	-	-	-	-	-
Miscellaneous expense	100	70	209	123	14	107
Depreciation	918	861	387	1,305	145	97
	<u>\$ 173,552</u>	<u>\$ 223,394</u>	<u>\$ 92,247</u>	<u>\$ 234,998</u>	<u>\$ 26,801</u>	<u>\$ 14,766</u>

See notes to consolidated financial statements.

SERVICES		SUPPORTING SERVICES			
		Program Total	Management and General	Fund-Raising	Total
Casino				2008	2007
\$ 45,432	\$ 383,758	\$ 23,624	\$ 39,883	\$ 447,265	\$ 439,273
4,082	34,288	2,334	3,583	40,205	37,310
10,214	62,940	3,651	6,424	73,015	70,990
7,705	36,936	1,957	3,522	42,415	42,658
875	8,648	2,370	754	11,772	7,754
-	39,264	67	4,519	43,850	42,669
-	17,297	-	36,320	53,617	9,881
1,197	8,007	330	644	8,981	4,996
801	5,681	476	442	6,599	4,982
3,550	13,751	512	920	15,183	12,347
73	2,820	49	231	3,100	7,861
784	5,536	262	470	6,268	14,230
47	5,317	71	28	5,416	6,047
485	8,093	2,754	332	11,179	8,845
164	2,037	653	234	2,924	1,962
-	25,016	-	3,404	28,420	19,955
53,548	178,047	47,094	630	225,771	208,934
776	13,753	392	383	14,528	19,696
-	1,470	-	1,401	2,871	2,209
-	33,008	-	-	33,008	27,048
-	5,488	7,302	-	12,790	16,891
-	-	-	-	-	10,000
149	772	71	32	875	1,981
483	4,196	242	435	4,873	5,487
<u>\$ 130,365</u>	<u>\$ 896,123</u>	<u>\$ 94,211</u>	<u>\$ 104,591</u>	<u>\$ 1,094,925</u>	<u>\$ 1,024,006</u>

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2008

(With Comparative Totals for the Year Ended June 30, 2007)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,129,492	\$ 1,640,830
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,873	5,487
Net realized and unrealized (appreciation) depreciation of investments	107,816	(107,630)
Non-cash donations	(925,000)	-
Changes in assets and liabilities:		
Accounts receivable	(8,040)	(572)
Grant receivable	(92,082)	10,000
Prepaid expenses	(13,687)	(1,786)
Accounts payable	6,665	(6,201)
Accrued vacation pay	3,919	(1,317)
Accrued employee benefits	150	(545)
Net cash provided by (used in) operating activities	<u>1,214,106</u>	<u>1,538,266</u>
Cash flows from investing activities:		
Proceeds from sale of investments	2,683,820	101,280
Purchase of investments	(2,392,876)	(1,036,070)
Purchase of Land Trust	(808,549)	(23,299)
Net cash provided by (used in) investing activities	<u>(517,605)</u>	<u>(958,089)</u>
Net change in cash	696,501	580,177
Cash and cash equivalents, beginning of year	<u>2,395,654</u>	<u>1,815,477</u>
Cash and cash equivalents, end of year	<u>\$ 3,092,155</u>	<u>\$ 2,395,654</u>
Supplementary information		
Non-cash investing activities - donated land	<u>\$ 925,000</u>	<u>\$ -</u>

See notes to consolidated financial statements.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A – DESCRIPTION OF ORGANIZATION

Friends of the Columbia Gorge (Friends) was incorporated in Oregon in 1981 as a private nonprofit entity. Its purpose is to protect the scenic, natural, cultural, historic and recreational values of the Columbia River Gorge, encourage compatible economic development within the urban areas along the Gorge and educate the public to obtain effective implementation of the National Scenic Area Act. In June of 2007, Friends funded a wholly-owned subsidiary, The Friends of the Columbia Gorge Land Trust. Programs of the Organization are as follows:

- **Membership and Outreach** – Friends works to inform and engage its members and the general public through education at events and seminars, stewardship projects on key lands, and public hikes throughout the Columbia River Gorge (the Gorge).
- **Conservation Activities** – Friends works to protect the scenic and natural values of the Gorge by protecting the air quality of the Gorge, limiting sprawl and protecting forest and farmlands.
- **Legal Issues** – When Gorge resources are threatened by unlawful decisions and violations, Friends exercises its right to file legal challenges. Similarly, when Gorge decision makers protect Gorge resources by upholding the law, Friends helps defend the decisions against challenges by development interests.
- **Parks and Trails** – Friends promotes new trails and parks that do not conflict with the Gorge's scenic and natural beauty.
- **Casino** – Friends opposes the creation of a 500,000 square foot casino facility in the heart of the Gorge.
- **Land Trust** – Friends works to ensure long-term protection of lands in the Gorge.

Funds are provided from memberships, contributions and grants.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A – DESCRIPTION OF ORGANIZATION (CONTINUED)

Basis of Consolidation

The consolidated financial statements include those of Friends of the Columbia Gorge and Friends of the Columbia Gorge Land Trust. Both organizations have common control since the officers of the Organization sit on the Board of Trustees of the Land Trust. There is also an element of economic interest since the Land Trust holds significant resources that must be used only for purposes of Friends of the Gorge. In accordance with generally accepted accounting principles, consolidation is required. All material inter-organizational transactions have been eliminated.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting, which recognizes revenue when earned and expenses when incurred. Transactions are classified according to the existence or absence of donor-imposed restrictions.

Basis of Presentation

The accompanying financial statements have been prepared to focus on the Organization as a whole and to present its financial position and activities according to three classes of net assets – unrestricted, temporarily restricted, and permanently restricted, as follows:

- Unrestricted net assets present net assets are not subject to donor-imposed stipulations.
- Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will not be met by action of the Organization and/or the passage of time.
- Permanently restricted net assets represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Cash and Cash Equivalents

Friends classifies as cash and cash equivalents all checking, savings, and money market accounts and all investments maturing within 90 days when purchased.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

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.

Equipment and Furniture

Equipment and furniture is recorded at cost and depreciated using the straight-line method over estimated useful lives of 5-10 years. Donations of equipment and furniture are recorded as revenues at their estimated fair market values on the date of receipt. Maintenance and repairs are expensed. Betterments and renewals are capitalized as incurred. Depreciation expense amounted to \$4,873 in 2008.

Concentration of Credit Risk

Financial instruments that potentially subject the Friends to credit risk include cash and investments in marketable securities. Cash deposited with financial institutions regularly exceeds 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. Subsequent to June 30, 2008, economic uncertainty and volatility in the public investments has resulted in steep declines in values of a significant number of traded investments across all categories. Whether or not the effect of these market fluctuations will result in permanent or temporary losses cannot be reasonably estimated.

Functional Allocation of Expenses

The cost of providing the various programs and other activities have been summarized in the Statements of Activities. Certain costs, including salaries, rent, printing and depreciation, have been allocated among the programs and supporting services benefited.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Friends operates as a nonprofit corporation and has received tax-exempt status under Code Section 501(c)(3) of the Internal Revenue Code.

Prior Year Summarized 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 Friends' financial statements for the year ended June 30, 2007, from which the summarized information was derived.

NOTE C – INVESTMENTS

Investments are measured at market value in the statement of financial position based on quoted market price. Net realized and unrealized gains and losses are included in the statement of activities. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized. Investments consist of the following at June 30, 2008:

Certified deposits	\$ 380,000
Equity Mutual Funds	<u>605,763</u>
	<u>\$ 985,763</u>

NOTE D – BOARD DESIGNATED

In 2005 the Friend's Board of Directors created the "Building Blocks Funds" in which \$500,000 from the Norman Yeon bequest is to be used for capacity building for Friends. To date the balance remaining is \$340,267. In 1999, the Friend's Board of Directors created an endowment seeded by \$300,000. As of June 30, 2008, the endowment is valued at \$1,387,540. Reserves of \$1,351,863 are designated to the Columbia Gorge Land Trust for operations and acquisition of lands for conservation purposes.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE E – RESTRICTED NET ASSETS

As of June 30, 2008, Friends had temporarily restricted net assets as follows:

Donations for Cape Horn	\$	338,438
NW Fund		5,250
Kongsgaard-Goldman Grant		39
Spirit Mountain Grant		25,000
Outdoor Education Grant		<u>7,974</u>
	\$	<u>376,701</u>

Friends also has a general endowment fund. Total endowment receipts for the year ended June 30, 2008 amounted to \$51,270. The funds totaled \$203,807 at June 30, 2008.

NOTE F – JOINT COSTS

Friends incurred joint costs of \$93,091 for informational materials and activities that included fund-raising appeals during the year ended June 30, 2008. These costs were allocated as follows:

	<u>Newsletter Costs</u>	<u>Prospect Costs</u>	<u>Total</u>
Program services	\$ 39,367	\$ 13,642	\$ 53,009
Fund-raising	<u>4,374</u>	<u>35,708</u>	<u>40,082</u>
	<u>\$ 43,741</u>	<u>\$ 49,350</u>	<u>\$ 93,091</u>

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2008

NOTE G – LEASES

Friends has an operating lease for office space that expires in October, 2011. Office rent expense for the year ended June 30, 2008 amounted to \$42,415. Friends also has an operating lease for a copier with minimum monthly payments of \$402 expiring in January 2012.

Future minimum lease payments, subject to Consumer Price Index adjustments on the office space, are as follows:

<u>Year Ending June 30,</u>	<u>Office Space</u>	<u>Copier</u>	<u>Total</u>
2009	\$ 40,212	\$ 4,824	\$ 45,036
2010	41,443	4,824	46,267
2011	42,674	4,824	47,498
2012	<u>14,361</u>	<u>2,814</u>	<u>17,175</u>
	<u>\$ 138,690</u>	<u>\$ 17,286</u>	<u>\$ 155,976</u>

NOTE H – RETIREMENT PLAN

Friends has a SIMPLE Individual Retirement Plan available for all permanent employees in which Friends contributes up to a 3% match of employee contributions. The retirement expense for the year ended June 30, 2008 was \$12,500.