

McKENZIE RIVER GATHERING FOUNDATION

FINANCIAL STATEMENTS

Year Ended June 30, 2010

With

Independent Auditors' Report

McKENZIE RIVER GATHERING FOUNDATION
JUNE 30, 2010

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INDEPENDENT AUDITORS' REPORT

Board of Directors
McKenzie River Gathering Foundation
Portland, Oregon

We have audited the accompanying statement of financial position of McKenzie River Gathering Foundation (a not-for-profit organization) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of McKenzie River Gathering Foundation'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 McKenzie River Gathering Foundation, as of June 30, 2009, and in our report dated September 15, 2009, we expressed an unqualified opinion on those 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 statement. 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 McKenzie River Gathering Foundation as of June 30, 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.

James E. Richman, CPA, PC

September 12, 2010

McKENZIE RIVER GATHERING FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2010
(with comparative amounts for 2009)

	2010	2009
<u>ASSETS</u>		
Cash and cash equivalents	\$ 219,232	\$ 2,073,413
Investments	6,378,896	4,747,958
Pledges and grants receivable	66,568	24,900
Property and Equipment	10,040	15,284
Other assets	18,506	18,765
TOTAL ASSETS	\$ 6,693,242	\$ 6,880,320
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Grants payable	\$ 28,500	\$ 56,000
Accounts and other payables	30,456	28,509
Total Liabilities	58,956	84,509
NET ASSETS:		
Unrestricted:		
General Fund	-	-
Investment in property and equipment	10,040	15,284
Board Designated, Operating Reserve	584,000	467,500
Board Designated, Movement Building	1,969,051	2,322,154
Board Designated, Donor Advised Funds	700,649	593,657
Board Designated, Endowment	609,297	553,675
	3,873,037	3,952,270
Temporarily Restricted:		
Maud T. Kernan Fund	584,751	616,213
Rob McCay Fund	109,208	195,433
Lilla Jewel Fund	51,050	54,248
L'Chaim Fund	218,565	225,485
Michael Smith Fund	36,841	31,215
Endowment Fund	278,524	229,987
Grants	-	8,650
	1,278,939	1,361,231
Permanently Restricted:		
Endowment Fund	1,257,703	1,257,703
Michael Smith Fund	116,049	116,049
Lilla Jewel Fund	108,558	108,558
	1,482,310	1,482,310
Total Net Assets	6,634,286	6,795,811
TOTAL LIABILITIES AND NET ASSETS	\$ 6,693,242	\$ 6,880,320

See accompanying notes to financial statements.

McKENZIE RIVER GATHERING FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010
(with comparative totals for 2009)

	2010			Total	2009
	Unrestricted	Temporarily Restricted	Permanently Restricted		
PUBLIC SUPPORT AND REVENUE:					
Public Support:					
General Fund contributions	\$ 348,858	\$ -	\$ -	\$ 348,858	\$ 431,211
Donor Advised Funds contributions	372,715	-	-	372,715	357,324
Funding Exchange Endowment contributions	51,631	-	-	51,631	59,486
Endowment Fund contributions	-	-	-	-	5,000
Michael Smith Fund contributions	-	-	-	-	100
Indirect public contributions	21,000	-	-	21,000	16,976
	<u>794,204</u>	<u>-</u>	<u>-</u>	<u>794,204</u>	<u>870,097</u>
Revenue:					
Investment gains (losses)	203,761	218,508	-	422,269	(342,791)
Interest and dividends	70,636	74,476	-	145,112	148,560
Other revenue	10,567	-	-	10,567	15,660
Administrative fees earned	593	-	-	593	257
	<u>285,557</u>	<u>292,984</u>	<u>-</u>	<u>578,541</u>	<u>(178,314)</u>
Net Assets Released From Restrictions:					
Satisfaction of Maud T. Kernan Fund restrictions	104,894	(104,894)	-	-	-
Satisfaction of Rob McCay Fund restrictions	104,636	(104,636)	-	-	-
Satisfaction of Lilla Jewel Fund restrictions	15,961	(15,961)	-	-	-
Satisfaction of L'Chaim Fund restrictions	33,791	(33,791)	-	-	-
Satisfaction of Michael Smith Fund restrictions	8,006	(8,006)	-	-	-
Satisfaction of Endowment Fund restrictions	99,338	(99,338)	-	-	-
Satisfaction of time restrictions	8,650	(8,650)	-	-	-
	<u>375,276</u>	<u>(375,276)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	1,455,037	(82,292)	-	1,372,745	691,783
EXPENSES:					
Program services:					
Grants and Grantmaking	717,164	-	-	717,164	761,550
Donor Advised Grantmaking	292,133	-	-	292,133	146,841
Community Education	226,422	-	-	226,422	115,088
	<u>1,235,719</u>	<u>-</u>	<u>-</u>	<u>1,235,719</u>	<u>1,023,479</u>
Administrative	169,718	-	-	169,718	227,997
Fund raising	128,833	-	-	128,833	98,048
	<u>1,534,270</u>	<u>-</u>	<u>-</u>	<u>1,534,270</u>	<u>1,349,524</u>
DECREASE IN NET ASSETS	(79,233)	(82,292)	-	(161,525)	(657,741)
NET ASSETS AT BEGINNING OF YEAR	3,952,270	1,361,231	1,482,310	6,795,811	7,453,552
NET ASSETS AT END OF YEAR	<u>\$ 3,873,037</u>	<u>\$ 1,278,939</u>	<u>\$ 1,482,310</u>	<u>\$ 6,634,286</u>	<u>\$ 6,795,811</u>

See accompanying notes to financial statements.

McKENZIE RIVER GATHERING FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2010
(with comparative totals for 2009)

	2010							
	Program Services							
	Grants & Grantmaking	Donor Advised Grantmaking	Community Education	Total	Admini- strative	Fund Raising	Total	2009
Direct Grants:								
Funding cycle grants	\$ 450,000	\$ -	\$ -	\$ 450,000	\$ -	\$ -	\$ 450,000	\$ 450,000
Special Initiative grants	1,500	-	-	1,500	-	-	1,500	6,000
Travel & Critical Response grants	20,000	-	-	20,000	-	-	20,000	15,540
Peace Fund grants	75,000	-	-	75,000	-	-	75,000	119,500
Lilla Jewel grants	7,750	-	-	7,750	-	-	7,750	-
Donor advised grants	-	286,761	-	286,761	-	-	286,761	141,216
	554,250	286,761	-	841,011	-	-	841,011	732,256
Personnel:								
Wages	95,108	3,101	121,577	219,786	80,643	68,654	369,083	306,555
Payroll taxes	8,742	284	11,122	20,148	13,708	6,256	40,112	26,111
Employee benefits	28,305	894	32,491	61,690	25,369	18,375	105,434	84,253
	132,155	4,279	165,190	301,624	119,720	93,285	514,629	416,919
Other:								
Professional fees	2,593	584	14,726	17,903	18,348	2,049	38,300	54,982
Office rent & other occupancy	9,554	338	12,833	22,725	7,303	8,133	38,161	37,097
Copying & printing	869	11	4,719	5,599	436	2,807	8,842	11,296
Office supplies	1,092	12	1,118	2,222	635	777	3,634	3,117
Telephone	1,175	31	1,862	3,068	2,274	996	6,338	6,684
Postage	505	50	1,320	1,875	224	1,410	3,509	3,928
Equipment repair & lease	761	20	1,347	2,128	610	1,870	4,608	4,444
Technology	660	19	1,815	2,494	461	804	3,759	3,620
Insurance	253	-	168	421	2,089	92	2,602	2,226
Meetings & travel	6,812	5	8,480	15,297	1,651	1,505	18,453	20,694
Books & staff development	666	23	1,703	2,392	954	1,407	4,753	4,083
Event expense	-	-	3,850	3,850	-	3,868	7,718	7,041
Funding Exchange tithe	5,801	-	6,694	12,495	4,239	5,578	22,312	23,850
Miscellaneous	18	-	597	615	4,810	2,018	7,443	7,050
Workplace giving costs	-	-	-	-	-	2,234	2,234	228
Grantee technical assistance	-	-	-	-	-	-	-	5,000
Depreciation	-	-	-	-	5,964	-	5,964	5,009
	30,759	1,093	61,232	93,084	49,998	35,548	178,630	200,349
Total Expenses	\$ 717,164	\$ 292,133	\$ 226,422	\$ 1,235,719	\$ 169,718	\$ 128,833	\$ 1,534,270	\$ 1,349,524

See accompanying notes to financial statements.

McKENZIE RIVER GATHERING FOUNDATION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2010
(with comparative totals for 2009)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grantors, donors and others	\$ 763,696	\$ 1,606,133
Interest and dividends received	145,112	148,560
Cash paid to grantees	(868,511)	(696,256)
Cash paid to suppliers and employees	(685,089)	(651,415)
Net cash provided by (used in) operating activities	(644,792)	407,022
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	408,628	1,194,627
Purchases of investments	(1,617,297)	(2,734,376)
Purchases of property and equipment	(720)	(2,173)
Net cash provided by (used in) investing activities	(1,209,389)	(1,541,922)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Permanently restricted contributions received	-	5,100
Net cash provided by financing activities	-	5,100
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,854,181)	(1,129,800)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,073,413	3,203,213
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 219,232	\$ 2,073,413
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Stock donations simultaneously received and liquidated	\$ 215,337	\$ 220,995

See accompanying notes to financial statements.

McKENZIE RIVER GATHERING FOUNDATION
NOTES TO FINANCIAL STATEMENT
June 30, 2010

NOTE 1 – ORGANIZATION

Founded in 1976, McKenzie River Gathering Foundation (MRG) is an active community of donors and grassroots activists working in partnership to serve as a catalyst for progressive social change in Oregon. MRG provides funds to support a broad range of issues, including anti-bigotry, racial justice, women’s rights, homeless rights, labor organizing, HIV/AIDS, reproductive rights, lesbian and gay liberation, environmental protection, sustainable economic development, anti-militarism, and international self-determination. MRG grantees are groups that work for progressive social change in Oregon, are committed to diversity and inclusiveness, and have little access to more traditional funding sources. Funding is received principally from contributions and grants from the general public.

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Basis of 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 MRG and changes therein are classified and reported as follows:

Unrestricted net assets are net assets that are not subject to donor-imposed stipulations. Unrestricted net assets include net assets for which the Board of Directors has imposed various internal stipulations as to usage. Among the unrestricted, board designated net assets are a series of donor advised accounts. Such accounts provide a means for donors to advise MRG as to the recipients of grants from the invested funds. In addition, the Board of Directors has established two designated funds from the proceeds of the 2008 grant from the Ralph L. Smith Foundation of Oregon: the “Movement Building Fund” to finance future growth in programs and operations and the “Endowment Fund” to be operated in accordance with MRG’s standard policies for endowments.

Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may or will be met, either by actions of MRG or the passage of time. Temporarily restricted net assets consist of the earnings portion of the Lilla Jewel Fund, the Michael Smith Fund, and the Endowment Fund. It also includes the remaining balances of the Maud T. Kernan Fund, the Rob McCay Fund, the L'Chaim Fund, and other contributions that are restricted as to purpose or time.

Permanently restricted net assets are net assets subject to donor-imposed stipulations that they be maintained permanently by MRG. Permanently restricted net assets consist of the contributions to the Endowment Fund, the Michael Smith Fund, and the Lilla Jewel Fund since inception of these endowment funds.

Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Implementation of FSP FAS 117-1

In August 2008, the Financial Accounting Standards Board issued FASB Staff Position No. FAS 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds" (FSP FAS 117-1). FSP FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA).

The State of Oregon enacted UPMIFA effective January 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Board of Directors has determined that MRG's permanently restricted net assets meet the definition of endowment funds under UPMIFA.

See Note 3 for additional disclosures about MRG's donor-restricted and board-designated endowment funds required under FSP FAS 117-1.

Grants and Contributions

Grants and contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the commitment is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Grants and contributions that are received with donor stipulations that limit their use for specific purposes or future use are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Investment Income

Investment income and gains and losses on investments are reported as increases or decreases in unrestricted net assets unless a donor or law temporarily or permanently restricts their use.

Donors and state law have temporarily restricted the use of certain investment income and gains and losses on investments as follows:

Under the terms of the Lilla Jewel Fund and the Michael Smith Fund, and under state law with respect to the Endowment Fund, investment income and gains and losses on investments are reported as increases or decreases in temporarily restricted net assets. However, losses that exceed previously accumulated income and gains are reported as decreases in unrestricted net assets; future gains that offset such losses are reported as increases in unrestricted net assets. Annually, MRG uses a portion of the accumulated investment earnings for purposes as stipulated by the donor or its operating budget, as appropriate, and releases such amounts from restrictions.

Under the terms of the Maud T. Kernan Fund, the L'Chaim Fund, and the Rob McCay Fund, losses that reduce the related investment portfolio below the original contributed amounts are reported as decreases in temporarily restricted net assets.

Donated Goods and Services

A substantial number of volunteers have donated significant amounts of time to MRG's program services and fund raising campaigns. However, no objective basis is available to measure the value of such services, and no amount has been reflected in the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, MRG considers all cash and other liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Cash and cash equivalents consist of the following as of June 30, 2010:

Bank accounts (checking and money market)	\$ 141,198
Cash invested in brokerage money funds	78,034
	<hr/>
	\$ 219,232
	<hr/>

Concentration of Credit Risk

MRG deposits its cash in high credit quality institutions. From time-to-time, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation, and as such may subject MRG to concentrations of credit risk. MRG's investments in money funds are uninsured by the FDIC. Investments in certificates of deposit are FDIC insured through its participation in the CDARS program. Certain receivables may also subject MRG to concentrations of credit risk.

Property and Equipment

Office equipment, furniture and leasehold improvements are carried at cost, and at market value when acquired by gift. Depreciation on equipment and furniture is provided on the straight-line basis over the estimated useful lives of the respective assets, which is from three to 5 years. Amortization of leasehold improvements is included in depreciation expense and is provided on the straight-line basis over the lease term, which is 5 years. MRG follows the practice of capitalizing all expenditures for property and equipment in excess of \$500.

Advertising Expenses

Advertising costs are charged to expense as they are incurred. Advertising expense amounted to \$993 for the year ended June 30, 2010.

Income Taxes

MRG is exempt from federal and state income taxes under Section 501(c)(3) of the Internal revenue Code and comparable state law. Accordingly, no provision for income taxes is included in the financial statements.

MRG files Form 990 in the U.S. federal jurisdiction. The organization is no longer subject to U.S. federal tax examinations by tax authorities for years before 2002.

Functional Allocation of Expenses

The costs of providing 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 in accordance with MRG's cost allocation plan.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, pledges and grants receivable, grants payable

The carrying amount approximates fair value because of the short maturity of those instruments.

Investments

MRG carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values 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 fair values of investments are estimated based on quoted market prices for those investments.

Summarized Financial Information for 2009

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Also, prior-year summarized comparative information on the statement of functional expenses is not presented in sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the agency's financial statements for the year ended June 30, 2009, from which the summarized information was derived. Certain reclassifications have been made to 2009 amounts to conform to the 2010 presentation.

NOTE 3 – ENDOWMENT FUNDS

MRG's endowment consists of 4 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of MRG 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 of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, MRG classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowments, (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift instruments at the time the accumulation is added to the funds. The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by MRG in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, MRG considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (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 MRG, and (7) MRG's investment policies.

Investment Return Objectives, Risk Parameters and Strategies. MRG has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions of 5%, while growing the funds if possible. Therefore, MRG expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. MRG has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value at the end of the prior 16 quarters through March 31 of the fiscal year preceding the fiscal year in which the distribution is planned. In establishing this policy, MRG considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. MRG expects the current spending policy to allow its endowment funds to grow at a nominal average rate of about 3% annually. This is consistent with MRG's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of June 30, 2010 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds:				
Endowment Fund	\$ -	\$ 278,524	\$ 1,257,703	\$ 1,536,227
Michael Smith Fund	-	36,841	116,049	152,890
Lilla Jewel Fund	-	51,050	108,558	159,608
Board-designated endowment	609,297	-	-	609,297
Total all endowment funds	\$ 609,297	\$ 366,415	\$ 1,482,310	\$ 2,458,022

Changes in endowment net assets for the year ended June 30, 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 553,675	\$ 315,450	\$ 1,482,310	\$ 2,351,435
Investment income	17,306	51,305	-	68,611
Net appreciation (depreciation)	41,482	122,965	-	164,447
Amounts appropriated for expenditure	(3,166)	(123,305)	-	(126,471)
Endowment net assets, end of year	<u>\$ 609,297</u>	<u>\$ 366,415</u>	<u>\$ 1,482,310</u>	<u>\$ 2,458,022</u>

NOTE 4 – INVESTMENTS

Fair Value Measurement – The Organization adopted SFAS No. 157, *Fair Value Measurements* (SFAS No. 157), effective July 1, 2009. SFAS No. 157 establishes a single authoritative definition of fair value measurements. SFAS No. 157 applies to all assets and liabilities that are being measured and reported on a fair value basis. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. The Organization applies fair value measurements to certain assets, including the Organization’s investments.

In accordance with SFAS No. 157, the Organization maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability.

Level 3 – Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability.

Endowment investments consist of the following as of June 30, 2010:

<u>Description of Securities</u>	<u>Total Fair Value</u>	<u>Fair Value Measurements Using:</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Long-term Certificates of deposit	\$ 1,313,093	\$ 1,313,093	\$ -	\$ -
Fixed income	2,078,074	2,078,074	-	-
Mutual funds	602,482	602,482	-	-
Equities	2,385,247	2,385,247	-	-
Total investments	<u>\$ 6,378,896</u>	<u>\$ 6,378,896</u>	<u>\$ -</u>	<u>\$ -</u>

Expenses related to investment income amounted to \$33,845 for the year ended June 30, 2010, and are included in investment gains (losses) on the statement of activities.

NOTE 5 – PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable at June 30, 2010 total \$66,568, all of which is expected to be collected within one year. Based on knowledge of the donor, management has determined that no allowance for uncollectible pledges is necessary.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2010:

Equipment	\$ 26,280
Leasehold improvements	13,152
	<u>39,432</u>
Less accumulated depreciation	(29,392)
	<u>\$ 10,040</u>

NOTE 7 – OPERATING LEASE COMMITMENTS

MRG leases its Portland office facilities under an operating lease that expires in June 2012. MRG also leases a copy machine under an operating lease that expires in September 2012.

Minimum required annual payments under these noncancelable leases are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2011	\$ 45,644
2012	46,962
2013	430
Total minimum required payments	<u>\$ 93,036</u>

Total rent expense under these agreements amounted to \$39,425 for the year ended June 30, 2010.

NOTE 8- RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Permanently restricted net assets held at June 30, 2010 consist of \$1,482,310 in contributions for which donors have stipulated the amounts contributed are to remain intact indefinitely. Investment earnings generated from the *Endowment Fund* and the *Michael Smith Fund* are unrestricted by the donor, but recorded as temporarily restricted until appropriated for expenditure in accordance with FSP FAS 117-1. See below for restrictions on investment earnings of the *Lilla Jewel Fund*.

In addition to \$315,365 in unappropriated investment earnings of the *Endowment Fund* and the *Michael Smith Fund*, temporarily restricted net assets held at June 30, 2010 consist of \$963,574 in contributions, grants, and investment income available for specific program purposes and future periods, including the following:

The *Maud T. Kernan Fund* is restricted for use in support of racial justice and environmental works. The duration of the restriction is no more than twenty-five years from January 2003, the date of the original contribution.

The *Rob McCay Fund* is restricted for use in nuclear decommissioning and waste disposal and in disarmament.

The earnings and income of the *Lilla Jewel Fund* are restricted for use in funding lesbian and women artists and organizations.

The *L'Chaim Fund* is restricted for use in the clean up of nuclear and chemical wastes, environmental protection, and other programs that promote and protect peace and democracy and improve the human condition. The purpose restriction is effective through May 2019 or sooner if stipulated in the future by the donor.

In addition, at June 30, 2010 the Board of Directors has designated \$3,862,997 of MRG's unrestricted net assets for various purposes including operating reserves, donor advised funds, an endowment fund, and an internal capacity building fund.

NOTE 9- RETIREMENT PLAN

MRG has adopted a SEP-IRA retirement plan to cover essentially all employees who have been employed for one year or more. MRG's contributions to the plan amounted to \$15,365 for the year ended June 30, 2010.

MRG has also established a 403(b) tax sheltered annuity plan into which employees may contribute to self-directed accounts.

NOTE 10- STATEMENT OF CASH FLOWS RECONCILIATION

The following presents a reconciliation of the decrease in net assets (as reported on the statement of activities) to net cash used operating activities (as reported on the statement of cash flows):

Decrease in net assets	\$(161,525)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation and amortization	5,964
Investment gains	(422,269)
(Increase) decrease in:	
Pledges and grants receivable	(41,668)
Other assets	259
Increase (decrease) in:	
Grants payable	(27,500)
Accounts and other payables	1,947
Total adjustments	<u>(483,267)</u>
Net cash used in operating activities	<u>\$ (644,792)</u>

NOTE 11- SUBSEQUENT EVENTS

Subsequent events were evaluated through September 12, 2010, which is the date the financial statements were available to be issued.