

McKENZIE RIVER GATHERING FOUNDATION

FINANCIAL STATEMENTS

Year Ended June 30, 2009

With

Independent Auditors' Report

McKENZIE RIVER GATHERING FOUNDATION
JUNE 30, 2009

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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, 2009, 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, 2008, and in our report dated September 29, 2008, 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, 2009, 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.

September 15, 2009

McKENZIE RIVER GATHERING FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2009
(with comparative amounts for 2008)

	2009	2008
<u>ASSETS</u>		
Cash and cash equivalents	\$ 2,073,413	\$ 3,203,213
Investments	4,747,958	3,522,561
Pledges and grants receivable	24,900	750,119
Property and Equipment	15,284	18,121
Other assets	18,765	15,947
TOTAL ASSETS	\$ 6,880,320	\$ 7,509,961
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Grants payable	\$ 56,000	\$ 20,000
Accounts and other payables	28,509	36,409
Total Liabilities	84,509	56,409
NET ASSETS:		
Unrestricted:		
General Fund	-	165,846
Investment in property and equipment	15,284	18,121
Board Designated, Operating Reserve	467,500	467,500
Board Designated, Movement Building	2,322,154	2,168,747
Board Designated, Donor Advised Funds	593,657	343,327
Board Designated, Endowment	553,675	-
	3,952,270	3,163,541
Temporarily Restricted:		
Maud T. Kernan Fund	616,213	810,594
Rob McCay Fund	195,433	359,029
Lilla Jewel Fund	54,248	70,842
L'Chaim Fund	225,485	291,241
Michael Smith Fund	31,215	54,436
Endowment Fund	229,987	474,517
Grants	8,650	752,142
	1,361,231	2,812,801
Permanently Restricted:		
Endowment Fund	1,257,703	1,252,703
Michael Smith Fund	116,049	115,949
Lilla Jewel Fund	108,558	108,558
	1,482,310	1,477,210
Total Net Assets	6,795,811	7,453,552
TOTAL LIABILITIES AND NET ASSETS	\$ 6,880,320	\$ 7,509,961

See accompanying notes to financial statements.

McKENZIE RIVER GATHERING FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009
(with comparative totals for 2008)

	2009			Total	2008
	Unrestricted	Temporarily Restricted	Permanently Restricted		
PUBLIC SUPPORT AND REVENUE:					
Public Support:					
General Fund contributions:					
Donors	\$ 431,211	\$ -	\$ -	\$ 431,211	\$ 494,409
Ralph L. Smith Foundation of Oregon	-	-	-	-	3,000,000
Donor Advised Funds contributions	357,324	-	-	357,324	143,124
Funding Exchange Endowment contributions	59,486	-	-	59,486	51,348
Endowment Fund contributions	-	-	5,000	5,000	4,835
Michael Smith Fund contributions	-	-	100	100	-
Indirect public contributions	16,976	-	-	16,976	11,545
	<u>864,997</u>	<u>-</u>	<u>5,100</u>	<u>870,097</u>	<u>3,705,261</u>
Revenue:					
Investment gains, (losses)	80,075	(422,866)	-	(342,791)	(213,207)
Interest and dividends	53,303	95,257	-	148,560	194,770
Other revenue	15,660	-	-	15,660	12,617
Administrative fees earned	257	-	-	257	934
	<u>149,295</u>	<u>(327,609)</u>	<u>-</u>	<u>(178,314)</u>	<u>(4,886)</u>
Net Assets Released From Restrictions:					
Satisfaction of Maud T. Kernan Fund restrictions	105,025	(105,025)	-	-	-
Satisfaction of Rob McCay Fund restrictions	133,657	(133,657)	-	-	-
Satisfaction of Lilla Jewel Fund restrictions	3,627	(3,627)	-	-	-
Satisfaction of L'Chaim Fund restrictions	33,813	(33,813)	-	-	-
Satisfaction of Michael Smith Fund restrictions	9,366	(9,366)	-	-	-
Satisfaction of Endowment Fund restrictions	94,981	(94,981)	-	-	-
Satisfaction of other program restrictions	2,142	(2,142)	-	-	-
Satisfaction of time restrictions	741,350	(741,350)	-	-	-
	<u>1,123,961</u>	<u>(1,123,961)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	2,138,253	(1,451,570)	5,100	691,783	3,700,375
EXPENSES:					
Program services:					
Grants and Grantmaking	761,550	-	-	761,550	659,893
Donor Advised Grantmaking	146,841	-	-	146,841	291,094
Community Education	115,088	-	-	115,088	117,964
	<u>1,023,479</u>	<u>-</u>	<u>-</u>	<u>1,023,479</u>	<u>1,068,951</u>
Administrative	227,997	-	-	227,997	160,588
Fund raising	98,048	-	-	98,048	91,335
	<u>1,349,524</u>	<u>-</u>	<u>-</u>	<u>1,349,524</u>	<u>1,320,874</u>
Total Expenses	1,349,524	-	-	1,349,524	1,320,874
INCREASE (DECREASE) IN NET ASSETS	788,729	(1,451,570)	5,100	(657,741)	2,379,501
NET ASSETS AT BEGINNING OF YEAR:					
As previously presented	3,692,494	2,283,848	1,477,210	7,453,552	5,074,051
Reclassification to apply FAS 117-1	(528,953)	528,953	-	-	-
As reclassified	<u>3,163,541</u>	<u>2,812,801</u>	<u>1,477,210</u>	<u>7,453,552</u>	<u>5,074,051</u>
NET ASSETS AT END OF YEAR	\$ 3,952,270	\$ 1,361,231	\$ 1,482,310	\$ 6,795,811	\$ 7,453,552

See accompanying notes to financial statements.

McKENZIE RIVER GATHERING FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2009
(with comparative totals for 2008)

	2009							
	Program Services				Admini- strative	Fund Raising	Total	2008
	Grants & Grantmaking	Donor Advised Grantmaking	Community Education	Total				
Direct Grants:								
Funding cycle grants	\$ 450,000	\$ -	\$ -	\$ 450,000	\$ -	\$ -	\$ 450,000	\$ 350,000
Special Initiative grants	6,000	-	-	6,000	-	-	6,000	2,500
Travel & Critical Response grants	15,540	-	-	15,540	-	-	15,540	9,499
Technical Assistance grants	-	-	-	-	-	-	-	30,000
Peace Fund grants	119,500	-	-	119,500	-	-	119,500	115,000
Donor advised grants	-	141,216	-	141,216	-	-	141,216	285,164
	591,040	141,216	-	732,256	-	-	732,256	792,163
Personnel:								
Wages	84,404	3,121	63,981	151,506	109,299	45,750	306,555	224,778
Payroll taxes	7,103	291	5,368	12,762	9,373	3,976	26,111	19,866
Employee benefits	25,215	976	16,427	42,618	31,314	10,321	84,253	59,381
	116,722	4,388	85,776	206,886	149,986	60,047	416,919	304,025
Other:								
Professional fees	10,785	264	7,410	18,459	31,966	4,557	54,982	76,435
Office rent & other occupancy	10,684	493	6,056	17,233	11,733	8,131	37,097	32,331
Copying & printing	4,288	12	1,804	6,104	1,117	4,075	11,296	13,022
Office supplies	649	6	208	863	1,626	628	3,117	3,864
Telephone	1,546	70	996	2,612	2,852	1,220	6,684	6,046
Postage	711	60	336	1,107	818	2,003	3,928	5,009
Equipment repair & lease	780	34	803	1,617	888	1,939	4,444	7,463
Technology	747	38	590	1,375	1,389	856	3,620	2,983
Insurance	197	8	98	303	1,681	242	2,226	2,230
Meetings & travel	9,179	1	3,489	12,669	5,895	2,130	20,694	23,576
Books & staff development	2,473	8	359	2,840	422	821	4,083	4,461
Event expense	-	-	1,936	1,936	-	5,105	7,041	10,332
Funding Exchange tithe	6,439	238	4,293	10,970	6,917	5,963	23,850	19,289
Miscellaneous	310	5	934	1,249	5,698	103	7,050	6,931
Workplace giving costs	-	-	-	-	-	228	228	1,261
Grantee technical assistance	5,000	-	-	5,000	-	-	5,000	5,000
Depreciation	-	-	-	-	5,009	-	5,009	4,453
	53,788	1,237	29,312	84,337	78,011	38,001	200,349	224,686
Total Expenses	\$ 761,550	\$ 146,841	\$ 115,088	\$ 1,023,479	\$ 227,997	\$ 98,048	\$ 1,349,524	\$ 1,320,874

See accompanying notes to financial statements.

McKENZIE RIVER GATHERING FOUNDATION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2009
(with comparative totals for 2008)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grantors, donors and others	\$ 1,606,133	\$ 2,983,858
Interest and dividends received	148,560	223,747
Cash paid to grantees	(696,256)	(883,163)
Cash paid to suppliers and employees	(651,415)	(556,610)
Net cash provided by operating activities	407,022	1,767,832
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	1,194,627	1,418,063
Purchases of investments	(2,734,376)	(988,336)
Purchases of property and equipment	(2,173)	(4,159)
Net cash provided by (used in) investing activities	(1,541,922)	425,568
CASH FLOWS FROM FINANCING ACTIVITIES:		
Permanently restricted contributions received	5,100	4,835
Net cash provided by financing activities	5,100	4,835
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,129,800)	2,198,235
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,203,213	1,004,978
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,073,413	\$ 3,203,213
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Stock donations simultaneously received and liquidated	\$ 170,195	\$ 220,995

See accompanying notes to financial statements.

McKENZIE RIVER GATHERING FOUNDATION
NOTES TO FINANCIAL STATEMENT
June 30, 2009

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. MRG has adopted FSP FAS 117-1 for the year ending June 30, 2009. The Board of Directors has determined that MRG's permanently restricted net assets meet the definition of endowment funds under UPMIFA. Based on MRG's interpretation of UPMIFA, MRG has reviewed all of its endowment funds and has reclassified, as of June 30, 2008, approximately \$528,953 from unrestricted net assets as previously reported to temporarily restricted net assets.

Also 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, 2009:

Undeposited cash	\$6,514
Bank sweep account invested in money funds	1,635,000
Cash invested in brokerage money funds	436,399
	<hr/>
	\$2,073,413

Concentration of Credit Risk

MRG deposits its cash in high credit quality institutions. MRG's investments in money funds are uninsured by the FDIC, and the US Treasury's temporary guarantee of participating money funds expires on September 19, 2009. 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 \$1,040 for the year ended June 30, 2009.

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.

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

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 2008

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, 2008, from which the summarized information was derived. Certain reclassifications have been made to 2008 amounts to conform to the 2009 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, 2009 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds:				
Endowment Fund	\$ -	\$ 229,987	\$ 1,257,703	\$ 1,487,690
Michael Smith Fund	-	31,215	116,049	147,264
Lilla Jewel Fund	-	54,248	108,558	162,806
Board-designated endowment	553,675	-	-	553,675
Total all endowment funds	<u>\$ 553,675</u>	<u>\$ 315,450</u>	<u>\$ 1,482,310</u>	<u>\$ 2,351,435</u>

Changes in endowment net assets for the year ended June 30, 2009 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 599,795	\$ 1,477,210	\$ 2,077,005
Contributions	500,000	-	5,100	505,100
Investment income	7,247	52,777	-	60,024
Net appreciation (depreciation)	46,428	(229,148)	-	(182,720)
Amounts appropriated for expenditure	-	(107,974)	-	(107,974)
Endowment net assets, end of year	<u>\$ 553,675</u>	<u>\$ 315,450</u>	<u>\$ 1,482,310</u>	<u>\$ 2,351,435</u>

NOTE 4 – INVESTMENTS

Investments, all of which are securities traded on national stock exchanges, consist of the following as of June 30, 2009:

	<u>Cost</u>	<u>Market</u>
Equity securities	\$2,675,468	\$2,907,747
Fixed income securities	1,801,474	1,840,211
	<u>\$4,476,942</u>	<u>\$4,747,958</u>

Investment return for the year ended June 30, 2009 is summarized as follows:

Net realized and unrealized investment losses	\$(342,791)
Interest and dividend income	148,560
	<u>\$(194,231)</u>

Expenses related to investment income amounted to \$28,438 for the year ended June 30, 2009, 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, 2009 total \$24,900, 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, 2009:

Equipment	\$ 25,560
Leasehold improvements	13,152
	<u>38,712</u>
Less accumulated depreciation	<u>(23,428)</u>
	<u>\$ 15,284</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>
2010	\$ 44,364
2011	45,644
2012	46,962
2013	430
Total minimum required payments	<u>\$137,400</u>

Total rent expense amounted to \$36,181 for the year ended June 30, 2009.

NOTE 8- RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Permanently restricted net assets held at June 30, 2009 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 \$261,202 in unappropriated investment earnings of the *Endowment Fund* and the *Michael Smith Fund*, temporarily restricted net assets held at June 30, 2009 consist of \$1,100,029 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.

The *Ralph L. Smith Foundation* unconditional promise of \$8,650 is restricted for use in future periods as of June 30, 2009.

In addition, at June 30, 2009 the Board of Directors has designated \$3,936,986 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 \$8,643 for the year ended June 30, 2009.

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 provided by operating activities (as reported on the statement of cash flows):

Decrease in net assets	\$(657,741)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation and amortization	5,009
Permanently restricted fund contributions	(5,100)
Investment losses	314,353
(Increase) decrease in:	
Pledges and grants receivable	725,219
Other assets	(2,818)
Increase (decrease) in:	
Grants payable	36,000
Accounts and other payables	(7,900)
Total adjustments	<u>1,064,763</u>
Net cash provided by operating activities	<u><u>\$407,022</u></u>