

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

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2012



**Friends of the
Columbia Gorge**

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& SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2012

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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 (not-for-profit organizations) as of June 30, 2012, 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 consolidated financial statements of Friends of the Columbia Gorge, Inc. & Subsidiary as of June 30, 2011 and, in our report dated November 10, 2011, 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, 2012, 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
September 18, 2012

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2012

(With Comparative Totals as of June 30, 2011)

ASSETS

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 256,210	\$ 372,168
Investment interest receivable	28,339	34,907
Investments	5,504,355	5,954,911
Prepaid expenses	17,261	16,414
Equipment and furniture, net of accumulated depreciation of \$40,463 and \$39,361, respectively	22,505	2,366
Land trust	<u>5,508,196</u>	<u>5,508,196</u>
Total assets	<u>\$ 11,336,866</u>	<u>\$ 11,888,962</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 33,406	\$ 161,587
Accrued vacation and benefits	<u>17,278</u>	<u>15,441</u>
Total liabilities	<u>50,684</u>	<u>177,028</u>
Net assets		
Unrestricted		
Available for operations	680,203	1,045,087
Net investment in land and easements	5,508,196	5,508,196
Board designated - projects	803,478	641,512
Board designated - endowment	<u>1,829,101</u>	<u>1,926,582</u>
	8,820,978	9,121,377
Temporarily restricted	2,228,962	2,365,315
Permanently restricted	<u>236,242</u>	<u>225,242</u>
Total net assets	<u>11,286,182</u>	<u>11,711,934</u>
Total liabilities and net assets	<u>\$ 11,336,866</u>	<u>\$ 11,888,962</u>

See notes to consolidated financial statements.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

(With Comparative Totals for the Year Ended June 30, 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2012	2011
Public support and other revenue					
Foundations	\$ 85,130	\$ 87,000	\$ -	\$ 172,130	\$ 135,553
Contributions	76,527	6,750	11,000	94,277	508,677
Bequests	8,000	-	-	8,000	37,520
Memberships	484,023	-	-	484,023	591,080
Recovery of legal costs	97,621	-	-	97,621	-
Interest income	102,893	27,194	-	130,087	175,444
Other	43,359	10,361	-	53,720	52,220
	<u>897,553</u>	<u>131,305</u>	<u>11,000</u>	<u>1,039,858</u>	<u>1,500,494</u>
Net assets released from restrictions					
Satisfaction of purpose	213,114	(213,114)	-	-	-
Total public support and other revenue	<u>1,110,667</u>	<u>(81,809)</u>	<u>11,000</u>	<u>1,039,858</u>	<u>1,500,494</u>
Expenses					
Program services					
Conservation	253,969	-	-	253,969	253,001
Gorge Towns to Trails	160,927	-	-	160,927	24,490
Land Trust	162,162	-	-	162,162	296,789
Legal	121,759	-	-	121,759	205,548
Lobbying	54,267	-	-	54,267	79,256
Outreach and Outdoor Program	293,451	-	-	293,451	222,238
Total program services	<u>1,046,535</u>	<u>-</u>	<u>-</u>	<u>1,046,535</u>	<u>1,081,322</u>
Supporting services					
Management and general	114,429	-	-	114,429	119,896
Fund-raising	148,691	-	-	148,691	161,458
Total expenses	<u>1,309,655</u>	<u>-</u>	<u>-</u>	<u>1,309,655</u>	<u>1,362,676</u>
Increase (decrease) in net assets before change in investments	(198,988)	(81,809)	11,000	(269,797)	137,818
Net realized and unrealized appreciation (depreciation) of investments	<u>(101,411)</u>	<u>(54,544)</u>	<u>-</u>	<u>(155,955)</u>	<u>364,282</u>
Change in net assets	<u>(300,399)</u>	<u>(136,353)</u>	<u>11,000</u>	<u>(425,752)</u>	<u>502,100</u>
Net assets, beginning of year	<u>9,121,377</u>	<u>2,365,315</u>	<u>225,242</u>	<u>11,711,934</u>	<u>11,209,834</u>
Net assets, end of year	<u>\$ 8,820,978</u>	<u>\$ 2,228,962</u>	<u>\$ 236,242</u>	<u>\$ 11,286,182</u>	<u>\$ 11,711,934</u>

See notes to consolidated financial statements.

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

Year Ended June 30, 2012
 (With Comparative Totals for the Year Ended June 30, 2011)

	PROGRAM				SERVICES		SUPPORTING SERVICES		Total		
	Conservation	Gorge Towns to Trails	Land Trust	Legal	Lobbying	Outreach and Outdoor	Program Total	Management and General		Fund-Raising	
Salaries	\$ 148,864	\$ 85,451	\$ 33,437	\$ 52,962	\$ 9,326	\$ 118,203	\$ 448,243	\$ 42,328	\$ 80,713	\$ 571,284	\$ 478,946
Payroll taxes	14,108	7,315	3,195	4,998	1,229	11,114	41,959	3,787	7,974	53,720	46,177
Benefits	25,617	12,674	5,646	8,924	1,366	19,555	73,782	7,181	13,170	94,133	88,680
Rent	11,151	3,522	2,078	3,291	464	7,208	27,714	2,614	4,660	34,988	47,853
Printing	2,720	1,021	687	1,468	118	15,988	22,002	2,194	5,560	29,756	9,999
Publication costs	-	-	5,237	-	-	31,325	36,562	-	5,023	41,585	43,423
Prospect costs	-	-	1,381	-	-	4,308	5,689	-	11,540	17,229	27,398
Postage	2,148	1,378	249	853	110	1,015	5,753	873	1,040	7,666	8,478
Office supplies	1,813	704	484	579	92	1,522	5,194	958	827	6,979	7,579
Telephone	3,720	1,431	654	577	111	2,236	8,729	1,002	825	10,556	10,653
Database and website	6,416	1,267	654	1,618	30	1,621	11,606	1,084	1,385	14,075	7,476
Training	175	42	4	645	-	212	1,078	6	499	1,583	2,239
Equipment maintenance	1,579	593	445	655	96	1,179	4,547	481	631	5,659	9,861
Dues and subscriptions	762	236	884	1,656	9	571	4,118	101	383	4,602	5,624
Insurance	1,371	1,337	4,027	529	62	1,136	8,462	2,729	1,007	12,198	10,636
Event costs	3,010	2,110	1,207	175	13	58,825	65,340	652	6,414	72,406	42,091
Professional and contract services	23,138	37,245	486	39,914	40,400	5,298	146,481	38,572	3,150	188,203	259,659
Travel	6,663	4,448	3,120	2,205	825	8,258	25,539	305	1,965	27,809	25,711
Merchandise expense	-	-	-	-	-	2,716	2,716	-	1,520	4,236	11,380
Land acquisition expense	-	-	22,200	-	-	-	22,200	-	-	22,200	25,021
Land maintenance	-	-	50,730	-	-	-	50,730	-	-	50,730	43,940
Cape Horn Overlook expenses	-	-	25,193	-	-	-	25,193	-	-	25,193	140,542
Miscellaneous expense	426	37	65	599	7	945	2,079	9,473	211	11,763	8,371
Depreciation	268	116	99	111	9	216	819	89	194	1,102	939
	\$ 253,969	\$ 160,927	\$ 162,162	\$ 121,759	\$ 54,267	\$ 293,451	\$ 1,046,535	\$ 114,429	\$ 148,691	\$ 1,309,655	\$ 1,362,676

See notes to consolidated financial statements.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2012

(With Comparative Totals for the Year Ended June 30, 2011)

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ (425,752)	\$ 502,100
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,102	939
Net realized and unrealized (appreciation) depreciation of investments	155,955	(364,282)
Grants restricted for land purchase	-	(400,000)
Changes in assets and liabilities:		
Investment interest receivable	6,568	5,031
Prepaid expenses	(847)	4,536
Accounts payable	(128,181)	137,547
Accrued vacation and benefits	1,837	4,319
	(389,318)	(109,810)
Cash flows from investing activities:		
Proceeds from sale of investments	2,382,298	2,714,955
Purchase of investments	(2,087,698)	(2,558,947)
Additions to land trust	-	(1,005,000)
Purchase of equipment	(21,240)	(1,956)
	273,360	(850,948)
Cash flows from financing activities:		
Grants restricted for land purchase	-	400,000
	(115,958)	(560,758)
Net change in cash and cash equivalents	(115,958)	(560,758)
Cash and cash equivalents, beginning of year	372,168	932,926
Cash and cash equivalents, end of year	\$ 256,210	\$ 372,168

See notes to consolidated financial statements.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2012

NOTE A – DESCRIPTION OF ORGANIZATION

Friends of the Columbia Gorge, Inc. (Friends) was incorporated in Oregon in 1981 as a private not-for-profit entity. Its purpose is to protect the scenic, natural, cultural, historic and recreational values of the Columbia River Gorge (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 February of 2007, Friends funded a wholly-owned subsidiary, The Friends of the Columbia Gorge Land Trust (collectively, the Organization). Programs of Friends are as follows:

- **Conservation** – The Organization 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.
- **Gorge Towns to Trails** – The Organization works to protect scenic and natural values, enhance recreation value and encourage compatible economic development by developing a comprehensive trail system around the Columbia Gorge, linking communities with new and existing trails and parks.
- **Land Trust** – The Organization works to ensure long-term protection of lands in the Gorge.
- **Legal** – When Gorge resources are threatened by unlawful decisions and violations, the Organization exercises its right to file legal challenges. Similarly, when Gorge decision makers protect Gorge resources by upholding the law, the Organization helps defend the decisions against challenges by development interests.
- **Lobbying** – The Organization conducts lobby activities to support laws that protect the Gorge's scenic and natural beauty.
- **Outreach and Outdoor Program** – The Organization 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 Gorge.

Funds are provided from memberships, contributions and grants.

Basis of Consolidation

The consolidated financial statements include those of Friends and Friends of the Columbia Gorge Land Trust (the Land Trust). Both organizations are under common control since board members of Friends comprise a majority of 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 Columbia Gorge, Inc. In accordance with generally accepted accounting principles, consolidation is required. All material inter-organizational transactions have been eliminated.

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

June 30, 2012

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** - Represent net assets that 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.

Expiration 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. Expenses are reported as a decrease in unrestricted net assets.

Cash and Cash Equivalents

The Organization classifies as cash and cash equivalents all checking, savings, and money market accounts and all highly liquid investments maturing within 90 days of purchase.

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.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equipment and Furniture

Equipment and furniture over \$1,000 are capitalized, recorded at cost and depreciated using the straight-line method over estimated useful lives of 3-10 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.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to credit risk include cash and investments in marketable securities. Cash deposited with financial institutions regularly exceeds the related federal deposit insurance limits. To mitigate this risk, management has placed excess cash in U.S. Treasury-backed money market accounts. 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. Whether or not the effect of 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 has 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.

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 in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

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

June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land Trust Assets

Assets held in the Land Trust consist of real property located in the Gorge acquired or donated to the Organization. Acquisitions of real property are carried at cost; donations are carried at fair value at the date of donation based on highest and best use, or discounted fair value if the highest and best use of the property conflicts with the Organization's mission.

Classification of Contributions and Net Assets

The Organization follows the guidance of generally accepted accounting principles for the classification of donor-restricted endowment funds that are subject to Oregon's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Directors has determined that Friends' permanently restricted assets are endowment funds.

Additionally, the Board of Directors has designated a portion of its unrestricted net assets for operations and special projects. 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 stipulations.

The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. In accordance with UPMIFA, the Organization 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 appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment and Spending Policies

The goal of the Organization's investment program is to achieve a total rate of return that will allow it to respond to today's needs and the long-term growth necessary to respond to future needs. The investment objective is to retain (at a minimum) and when possible, increase the purchasing power of the funds, while at the same time producing a reasonable return for distribution to meet current needs. To meet this investment objective, the Organization follows a total-return strategy in which investment decisions are made with the intent of maximizing the long-term total return of the portfolio, combining market-value changes (realized and unrealized) and current yield (interest and dividends). Assets are invested in a mixture of equity funds and cash.

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

June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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

Friends and the Land Trust federal exempt organization information returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

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 the Organization's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Additionally, certain reclassifications have been made to the prior-year summarized comparative information in order to conform to the current year presentation.

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, 2012:

	Level 1	Level 2	Level 3	Total
Corporate bonds and bond funds	\$ -	\$ 1,720,490	\$ -	\$ 1,720,490
Government bonds	-	2,278,300	-	2,278,300
Stocks and equity mutual funds	1,505,565	-	-	1,505,565
	\$ 1,505,565	\$ 3,998,790	\$ -	\$ 5,504,355

All investments have been valued using a market approach. There were no changes in the valuation techniques during the year.

NOTE D – DESIGNATED NET ASSETS

The Board designated \$789,943 for Collins land purchases, and \$13,535 for the Matthew Winthrop Memorial Fund, as of June 30, 2012. These Board-designated funds are not classified as endowment funds.

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

June 30, 2012

NOTE E – ENDOWMENT NET ASSETS

The Board of Directors also designated a portion of its unrestricted net assets as a quasi-endowment.

Endowment net asset composition by type of fund as of June 30, 2012 was as follows:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-designated funds	\$ -	\$ 220,939	\$ 236,242	\$ 457,181
Board designated - endowment	<u>1,829,101</u>	<u>-</u>	<u>-</u>	<u>1,829,101</u>
Total endowment net assets	<u>\$ 1,829,101</u>	<u>\$ 220,939</u>	<u>\$ 236,242</u>	<u>\$ 2,286,282</u>

Changes in endowment net assets for the year ended June 30, 2012 were as follows:

	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 1,926,582	\$ 328,928	\$ 225,242	\$ 2,480,752
Contributions	-	-	11,000	11,000
Appropriations	(56,734)	(91,000)	-	(147,734)
Investment gains (losses)	(25,140)	(15,255)	-	(40,395)
Expenditures	<u>(15,607)</u>	<u>(1,734)</u>	<u>-</u>	<u>(17,341)</u>
Endowment net assets, end of year	<u>\$ 1,829,101</u>	<u>\$ 220,939</u>	<u>\$ 236,242</u>	<u>\$ 2,286,282</u>

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

June 30, 2012

NOTE F – RESTRICTED NET ASSETS

As of June 30, 2012, the Organization had restricted net assets as follows:

Temporarily restricted:	
Cape Horn acquisition fund	\$ 1,410,057
Emergency acquisition fund	374,512
Stewardship fund	200,000
Winthrop Memorial fund	17,638
REI Grant	5,000
Clausen Youth fund	816
Unappropriated Endowment earnings	<u>220,939</u>
	<u>\$ 2,228,962</u>
Permanently restricted:	
Nancy Russell Endowment	\$ 176,242
Land Trust Endowment	5,000
Vic Clausen Youth Fund	<u>55,000</u>
	<u>\$ 236,242</u>

NOTE G – JOINT COSTS

The Organization incurred joint costs of \$58,814 for informational materials and activities that included fund-raising appeals during the year ended June 30, 2012. These costs were allocated as follows:

	<u>Newsletter Costs</u>	<u>Prospect Costs</u>	<u>Total</u>
Program services	\$ 36,562	\$ 5,689	\$ 42,251
Fund-raising	<u>5,023</u>	<u>11,540</u>	<u>16,563</u>
	<u>\$ 41,585</u>	<u>\$ 17,229</u>	<u>\$ 58,814</u>

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

June 30, 2012

NOTE H – LEASES

In July 2012, the Organization renewed an operating lease for office space that expires in October, 2016. Office rent expense for the year ended June 30, 2012 amounted to \$34,988. The Organization also has an operating lease for a copier with minimum monthly payments of \$497 expiring in December 2014.

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>
2013	\$ 46,458	\$ 5,964	\$ 52,422
2014	47,852	5,964	53,816
2015	49,287	2,982	52,269
2016	50,766	-	50,766
2017	17,088	-	17,088
	<u>\$ 211,451</u>	<u>\$ 14,910</u>	<u>\$ 226,361</u>

NOTE I – OPTION COMMITMENT

In January 2009, the Nancy Russell Trust (the Trust) assigned an option to purchase certain land located in Skamania County, Washington for \$2,000,000 to the Land Trust. Under the terms of the assignment agreement, the Land Trust is required to pay \$20,000 to the Trust prior to July 31 each year in order to renew the right to exercise the purchase option. Additionally, the assignment agreement requires the Land Trust to pay the property taxes on the optioned land. Under the terms of the option agreement, the annual renewal fee will not be applied to the purchase price and is not refundable in the event the option is never exercised. The option can be renewed until August 2030.

NOTE J – RETIREMENT PLAN

The Organization has a SIMPLE Individual Retirement Plan available for all permanent employees in which the Organization contributes up to a 3% match of employee contributions. The retirement expense for the year ended June 30, 2012 was \$14,285.

NOTE K – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 18, 2012, which is the date the financial statements were available to be issued.