

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

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2009



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& SUBSIDIARY**

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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 (a not-for-profit corporation) as of June 30, 2009, 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, 2008 and, in our report dated November 24, 2008, 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, 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.

KERN & THOMPSON, LLC

Portland, Oregon
October 29, 2009

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2009

(With Comparative Totals as of June 30, 2008)

ASSETS

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 2,066,431	\$ 3,092,155
Investment interest receivable	26,694	7,722
Grants and pledges receivable	793,991	92,972
Investments	4,012,761	985,763
Prepaid expenses	12,221	29,964
Equipment and furniture, net of accumulated depreciation of \$38,413 and \$33,899, respectively	10	4,524
Land trust	<u>4,590,418</u>	<u>3,277,771</u>
Total assets	\$ <u>11,502,526</u>	\$ <u>7,490,871</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 21,327	\$ 26,024
Accrued vacation and benefits	<u>15,558</u>	<u>16,641</u>
Total liabilities	<u>36,885</u>	<u>42,665</u>
Net assets		
Unrestricted		
Available for operations	1,132,251	1,893,264
Net investment in land and easements	4,590,418	3,282,304
Board designated - Building Blocks	799,759	340,267
Board designated - Collins land purchase	622,186	-
Board designated - reserves	<u>1,774,649</u>	<u>1,351,863</u>
	8,919,263	6,867,698
Temporarily restricted	2,333,636	376,701
Permanently restricted	<u>212,742</u>	<u>203,807</u>
Total net assets	<u>11,465,641</u>	<u>7,448,206</u>
Total liabilities and net assets	\$ <u>11,502,526</u>	\$ <u>7,490,871</u>

See notes to consolidated financial statements.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2009</u>	<u>2008</u>
Public support and other revenue					
Foundations	\$ 98,750	\$ 4,500	\$ -	\$ 103,250	\$ 193,191
Contributions	76,813	154,648	8,935	240,396	1,618,700
Bequests	1,293,377	1,950,000	-	3,243,377	-
Memberships	343,433	-	-	343,433	391,993
Non-cash donations	2,318,420	-	-	2,318,420	925,000
Loss from sale of land	(958,276)	-	-	(958,276)	-
Interest income	85,247	26	-	85,273	176,195
Other	64,048	-	-	64,048	27,154
	<u>3,321,812</u>	<u>2,109,174</u>	<u>8,935</u>	<u>5,439,921</u>	<u>3,332,233</u>
Net assets released from restrictions					
Satisfaction of purpose	152,239	(152,239)	-	-	-
Total public support and other revenue	<u>3,474,051</u>	<u>1,956,935</u>	<u>8,935</u>	<u>5,439,921</u>	<u>3,332,233</u>
Expenses					
Program services					
Land trust	251,285	-	-	251,285	173,552
Membership and outreach	161,703	-	-	161,703	223,394
Legal	143,923	-	-	143,923	92,247
Conservation	146,898	-	-	146,898	234,998
Lobbying	50,471	-	-	50,471	26,801
Creating Parks and Trails	-	-	-	-	14,766
Casino	110,406	-	-	110,406	130,365
Total program services	<u>864,686</u>	<u>-</u>	<u>-</u>	<u>864,686</u>	<u>896,123</u>
Supporting services					
Management and general	126,395	-	-	126,395	94,211
Fund-raising	197,560	-	-	197,560	104,591
Total expenses	<u>1,188,641</u>	<u>-</u>	<u>-</u>	<u>1,188,641</u>	<u>1,094,925</u>
Increase (decrease) in net assets before change in investments	2,285,410	1,956,935	8,935	4,251,280	2,237,308
Net realized and unrealized appreciation (depreciation) of investments	<u>(233,845)</u>	<u>-</u>	<u>-</u>	<u>(233,845)</u>	<u>(107,816)</u>
Change in net assets	<u>2,051,565</u>	<u>1,956,935</u>	<u>8,935</u>	<u>4,017,435</u>	<u>2,129,492</u>
Net assets, beginning of year	<u>6,867,698</u>	<u>376,701</u>	<u>203,807</u>	<u>7,448,206</u>	<u>5,318,714</u>
Net assets, end of year	<u>\$ 8,919,263</u>	<u>\$ 2,333,636</u>	<u>\$ 212,742</u>	<u>\$ 11,465,641</u>	<u>\$ 7,448,206</u>

See notes to consolidated financial statements.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2009

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

	PROGRAM SERVICES							SUPPORTING SERVICES		Total	
	Land Trust	Membership and Outreach	Legal	Conservation	Lobbying	Casino	Program Total	Management and General	Fund-Raising	2009	2008
	Salaries	\$ 55,817	\$ 57,442	\$ 69,707	\$ 59,939	\$ 19,893	\$ 49,046	\$ 311,844	\$ 35,278	\$ 109,054	\$ 456,176
Payroll taxes	5,220	5,464	6,566	5,849	1,866	4,577	29,542	3,443	10,335	43,320	40,205
Benefits	15,394	7,637	5,176	23,924	3,128	6,938	62,197	4,870	16,006	83,073	73,015
Rent	4,144	4,971	2,844	13,925	1,781	5,838	33,503	2,790	8,683	44,976	42,415
Printing	764	767	481	2,240	278	1,218	5,748	429	1,495	7,672	11,772
Publication costs	6,339	30,188	-	260	-	-	36,787	-	9,268	46,055	43,850
Prospect costs	-	7,326	-	50	-	-	7,376	-	18,134	25,510	53,617
Postage	703	642	394	1,778	230	511	4,258	403	1,203	5,864	8,981
Office supplies	569	465	274	1,272	166	370	3,116	361	867	4,344	6,599
Telephone	1,862	2,704	1,272	10,129	832	3,780	20,579	1,219	3,892	25,690	15,183
Database	-	-	-	-	-	-	-	-	402	402	-
Training	60	283	140	308	3	7	801	68	29	898	3,100
Equipment maintenance	1,474	1,672	833	4,253	504	1,118	9,854	1,270	2,630	13,754	6,268
Dues and subscriptions	338	90	1,542	302	772	48	3,092	594	255	3,941	5,416
Insurance	3,418	481	-	1,916	132	-	5,947	3,462	1,797	11,206	11,179
Board and staff meetings	271	492	164	771	99	220	2,017	1,374	486	3,877	2,924
Event costs	350	30,373	-	428	-	-	31,151	-	10,047	41,198	28,420
Professional services	2,548	6,400	52,842	12,959	20,285	35,353	130,387	62,936	817	194,140	225,771
Travel	4,364	2,892	1,352	4,641	313	903	14,465	705	696	15,866	14,528
Merchandise expense	-	733	-	-	-	-	733	-	503	1,236	2,871
Land maintenance	147,108	-	-	-	-	-	147,108	-	-	147,108	33,008
Bank fees	-	-	-	-	-	-	-	6,434	-	6,434	12,790
Miscellaneous expense	-	-	-	781	-	-	781	77	529	1,387	866
Depreciation	542	681	336	1,173	189	479	3,400	682	432	4,514	4,882
	<u>\$ 251,285</u>	<u>\$ 161,703</u>	<u>\$ 143,923</u>	<u>\$ 146,898</u>	<u>\$ 50,471</u>	<u>\$ 110,406</u>	<u>\$ 864,686</u>	<u>\$ 126,395</u>	<u>\$ 197,560</u>	<u>\$ 1,188,641</u>	<u>\$ 1,094,925</u>

See notes to consolidated financial statements.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2009

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

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,017,435	\$ 2,129,492
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,514	4,882
Net realized and unrealized (appreciation) depreciation of investments	233,845	107,816
Loss from sale of land	958,276	-
Non-cash donations	(2,318,420)	(925,000)
Changes in assets and liabilities:		
Investment interest receivable	(18,972)	(8,040)
Grants and pledges receivable	(701,019)	(92,082)
Prepaid expenses	17,743	(13,696)
Accounts payable	(4,697)	6,665
Accrued vacation and benefits	(1,083)	4,069
Net cash provided by (used in) operating activities	<u>2,187,622</u>	<u>1,214,106</u>
Cash flows from investing activities:		
Proceeds from sale of investments	-	2,683,820
Purchase of investments	(3,260,843)	(2,392,876)
Proceeds from land trust sales	570,000	-
Additions to land trust	(522,503)	(808,549)
Net cash provided by (used in) investing activities	<u>(3,213,346)</u>	<u>(517,605)</u>
Net change in cash and cash equivalents	(1,025,724)	696,501
Cash and cash equivalents, beginning of year	<u>3,092,155</u>	<u>2,395,654</u>
Cash and cash equivalents, end of year	<u>\$ 2,066,431</u>	<u>\$ 3,092,155</u>
Supplementary information		
Non-cash investing activities - donated land	<u>\$ 2,318,420</u>	<u>\$ 925,000</u>

See notes to consolidated financial statements.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A – DESCRIPTION OF ORGANIZATION

Friends of the Columbia Gorge, Inc. (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 (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. Programs of the Organization are as follows:

- **Land Trust** – Friends works to ensure long-term protection of lands in the Gorge.
- **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 Gorge.
- **Legal** – 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.
- **Conservation** – 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.
- **Lobbying** – Friends conducts lobby activities to support laws 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.

Funds are provided from memberships, contributions and grants.

Basis of Consolidation

The consolidated financial statements include those of Friends of the Columbia Gorge, Inc. 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.

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

June 30, 2009

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.

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 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.

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

June 30, 2009

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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. Depreciation expense amounted to \$4,514 in 2009.

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. 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.

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

June 30, 2009

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Fair Value Measurements

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

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data by correlation such as appraisals or other means such as calculations based on contractual rates and published tables.

Level 3 – Unobservable inputs that reflect management's assumptions and best estimates based on available data.

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

Classification of Contributions and Net Assets

The accompanying financial statements have been prepared in accordance with Financial Accounting Standards Board (FASB) Staff Positions No. 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 117-1"). FSP 117-1 was issued by the FASB in August 2008 and provides guidance for the classification of donor-restricted endowment funds that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). FSP 117-1 also provides for enhanced disclosures about endowment funds (both donor-restricted endowment funds and board-designated endowment funds). The Board of Directors has determined that the Organization's permanently restricted assets are endowment funds.

Additionally, the Board of Directors of Friends has designated a portion of its unrestricted net assets for capacity building (Note D). 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.

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

June 30, 2009

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Contributions and Net Assets (Continued)

The Board of Directors of Friends 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, Friends classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. In accordance with UPMIFA, Friends 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 Friends investment program is to achieve a total rate of return that will allow Friends 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, Friends 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). Friends' assets are invested in a mixture of equity funds and cash.

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, 2008, 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.

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

June 30, 2009

NOTE C – INVESTMENTS

Investments are measured at market value in the statement of financial position based on quoted market price (all Level 1 measurements). 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, 2009:

Corporate bonds & bond funds	\$ 2,168,931
Government bonds	1,227,892
Stocks & equity mutual funds	<u>615,938</u>
	<u>\$ 4,012,761</u>

NOTE D – DESIGNATED AND ENDOWMENT NET ASSETS

In 2005 the Friends' Board of Directors created the "Building Blocks Funds" in which \$500,000 from the Norman Yeon bequest was to be used for capacity building. In 2009, Friends received a bequest from Nancy Russell, of which it designated another \$500,000 to the "Building Blocks Fund." To date the unexpended balance remaining is \$799,759. In 2009, the Board also designated \$622,186 for specific purposes (Collins land purchases). These Board-designated funds are not classified as endowment funds.

The Friends' Board of Directors also designated a portion of its unrestricted net assets as a quasi-endowment. Reserves of \$1,774,649 are designated to the Friends of the Columbia Gorge Land Trust for operations and acquisition of lands for conservation purposes.

Endowment net asset composition by type of fund as of June 30, 2009 was as follows:

	Unrestricted	Permanently Restricted	Total Net Endowment Assets
Donor-designated funds	\$ -	\$ 212,742	\$ 212,742
Board designated - reserves	<u>1,774,649</u>	<u>-</u>	<u>1,774,649</u>
Total endowment assets	<u>\$ 1,774,649</u>	<u>\$ 212,742</u>	<u>\$ 1,987,391</u>

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

June 30, 2009

NOTE D – DESIGNATED AND ENDOWMENT NET ASSETS (CONTINUED)

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

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 1,262,508	\$ 203,807	\$ 1,466,315
Contributions	-	8,935	8,935
Designations	793,377	-	793,377
Investment gains (losses)	(201,236)	-	(201,236)
Expenditures	<u>(80,000)</u>	<u>-</u>	<u>(80,000)</u>
Endowment net assets, end of year	<u>\$ 1,774,649</u>	<u>\$ 212,742</u>	<u>\$ 1,987,391</u>

NOTE E – RESTRICTED NET ASSETS

As of June 30, 2009, Friends had temporarily restricted net assets as follows:

Donations for Cape Horn	\$ 1,577,814
Emergency Acquisition Fund	550,000
Stewardship Fund	200,000
Other grants	<u>5,822</u>
	<u>\$ 2,333,636</u>

NOTE F – JOINT COSTS

Friends incurred joint costs of \$71,095 for informational materials and activities that included fund-raising appeals during the year ended June 30, 2009. These costs were allocated as follows:

	<u>Newsletter Costs</u>	<u>Prospect Costs</u>	<u>Total</u>
Program services	\$ 37,230	\$ 10,060	\$ 47,290
Fund-raising	<u>8,564</u>	<u>15,241</u>	<u>23,805</u>
	<u>\$ 45,794</u>	<u>\$ 25,301</u>	<u>\$ 71,095</u>

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

June 30, 2009

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, 2009 amounted to \$41,671. 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>
2010	41,443	4,824	46,267
2011	42,674	4,824	47,498
2012	14,361	2,814	17,175
	<u>\$ 98,478</u>	<u>\$ 12,462</u>	<u>\$ 110,940</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, 2009 was \$12,550.