SOLV*E*

FINANCIAL STATEMENTS

Years ended December 31, 2012 and 2011

with

INDEPENDENT AUDITOR'S REPORT

Bashar & Johnson, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

SOLV*E*

(An Oregon nonprofit corporation)

Bashar & Johnson, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
SOLV*E*
Portland, Oregon

We have audited the accompanying statements of financial position of SOLV*E* as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of SOLV*E*'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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 SOLV*E* as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Bashar & Johnson, P.C.

Beaverton, Oregon
May 3, 2013

SOLVE

STATEMENTS OF FINANCIAL POSITION

December 31, 2012 and 2011

ASSETS

	2012	2011
Cash (Note 3)	$ 373,306	$ 327,327
Accounts receivable	31,331	40,408
Contributions receivable (Note 4)	263,424	483,477
Investments (Notes 5 and 6)	2,014,828	1,890,492
Inventory	-	678
Prepaid expenses and deposits	35,401	40,697
Vehicles and equipment, net (Note 7)	38,446	46,895
Total assets	$2,756,736	$2,829,974

LIABILITIES AND NET ASSETS

	2012	2011
Liabilities:		
Accounts payable	$ 31,364	$ 68,083
Accrued payroll, payroll taxes and benefits payable	48,876	57,543
Defined benefit pension liabilities (Note 9)	43,253	32,161
Total liabilities	123,493	157,787
Commitments and contingencies (Note 8)	-	-
Net assets (Note 10):		
Unrestricted	250,429	210,187
Temporarily restricted	110,093	211,036
Permanently restricted	2,272,721	2,250,964
Total net assets	2,633,243	2,672,187
Total liabilities and net assets	$2,756,736	$2,829,974

The accompanying notes are an integral part of the financial statements.

SOLVE

STATEMENT OF ACTIVITIES

Year ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Grants and contributions	$ 729,521	$ 63,372	$ 21,757	$ 814,650
Contract revenue	233,350	-	-	233,350
Investment gain	193,722	-	-	193,722
In-kind contributions (Note 12)	90,947	-	-	90,947
Recognition event	12,000	-	-	12,000
Other income	813	-	-	813
Interest income	405	-	-	405
Total revenues and gains	1,260,758	63,372	21,757	1,345,887
Net assets released from restrictions	164,315	(164,315)	-	-
Total revenues, gains, and other support	1,425,073	(100,943)	21,757	1,345,887
EXPENSES				
Program services	879,074	-	-	879,074
Management and general	380,264	-	-	380,264
Development	100,430	-	-	100,430
Recognition event	25,063	-	-	25,063
Total expenses	1,384,831	-	-	1,384,831
INCREASE (DECREASE) IN NET ASSETS	40,242	(100,943)	21,757	(38,944)
NET ASSETS, beginning of year	210,187	211,036	2,250,964	2,672,187
NET ASSETS, end of year	$ 250,429	$110,093	$2,272,721	$2,633,243

The accompanying notes are an integral part of the financial statements.

SOLVE

STATEMENT OF ACTIVITIES

Year ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Grants and contributions	$ 867,538	$140,972	$ 810,927	$1,819,437
Contract revenue	92,871	-	-	92,871
Investment loss	(31,294)	-	-	(31,294)
In-kind contributions (Note 12)	665,000	-	-	665,000
Recognition event	139,488	-	-	139,488
Other income	2,486	-	-	2,486
Interest income	48	-	-	48
Loss on disposal of equipment	(14,839)	-	-	(14,839)
Total revenues and gains	1,721,298	140,972	810,927	2,673,197
Net assets released from restrictions	130,518	(130,518)	-	-
Total revenues, gains, and other support	1,851,816	10,454	810,927	2,673,197
EXPENSES				
Program services	1,292,376	-	-	1,292,376
Management and general	253,431	-	-	253,431
Development	521,845	-	-	521,845
Recognition event	121,647	-	-	121,647
Total expenses	2,189,299	-	-	2,189,299
INCREASE (DECREASE) IN NET ASSETS	(337,483)	10,454	810,927	483,898
NET ASSETS, beginning of year	547,670	200,582	1,440,037	2,188,289
NET ASSETS, end of year	$ 210,187	$211,036	$2,250,964	$2,672,187

The accompanying notes are an integral part of the financial statements.

SOLV*E*

STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2012

	Program Services	Management and General	Development	Recognition Event	Total
Salaries and benefits	$ 493,402	$ 212,442	$ 28,997	$ 9,840	$ 744,681
Change in pension obligation	3,697	3,697	3,697	-	11,091
Professional fees and contract services	127,445	52,083	36,215	13,144	228,887
Occupancy	86,145	20,790	9,196	1,421	117,552
Telephone	4,581	1,452	1,503	397	7,933
Supplies	1,581	1,259	276	25	3,141
Printing	26,645	2,886	7,182	6	36,719
Postage and shipping	5,210	1,262	1,552	44	8,068
Advertising	1,766	-	-	-	1,766
Event services	61,043	-	8,513	-	69,556
Project grants	8,358	-	-	-	8,358
Travel and transportation	15,620	514	122	-	16,256
Meetings	3,909	680	120	-	4,709
Recognition awards	1,771	-	22	22	1,815
Insurance	16,439	892	429	55	17,815
Fees and dues	1,764	3,384	1,937	3	7,088
Pledge write-offs	-	-	-	-	-
Donated goods and services	13,289	77,598	60	-	90,947
Total expenses before depreciation	872,665	378,939	99,821	24,957	1,376,382
Depreciation	6,409	1,325	609	106	8,449
Total expenses	$ 879,074	$ 380,264	$ 100,430	$ 25,063	$ 1,384,831

The accompanying notes are an integral part of the financial statements.

SOLV*E*

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2011

	Program Services	Management and General	Development	Recognition Event	Total
Salaries and benefits	$ 568,312	$ 123,943	$ 123,544	$ 42,342	$ 858,141
Change in pension obligation	49,284	8,697	10,147	4,349	72,477
Professional fees and contract services	133,701	27,064	11,488	16,394	188,647
Occupancy	111,446	26,324	21,512	11,504	170,786
Telephone	5,888	1,877	1,392	400	9,557
Supplies	2,174	1,271	267	123	3,835
Printing	21,129	2,957	5,221	1,094	30,401
Postage and shipping	7,269	306	2,361	114	10,050
Advertising	336	50	50	-	436
Event services	48,006	-	7,911	42,511	98,428
Project grants	8,205	-	-	-	8,205
Travel and transportation	20,012	240	417	33	20,702
Meetings	978	555	44	-	1,577
Recognition awards	194	309	1,529	905	2,937
Insurance	11,893	792	469	298	13,452
Fees and dues	3,707	179	5,785	24	9,695
Pledge write-offs	-	-	42,000	-	42,000
Donated goods and services	291,000	57,000	286,700	800	635,500
Total expenses before depreciation	1,283,534	251,564	520,837	120,891	2,176,826
Depreciation	8,842	1,867	1,008	756	12,473
Total expenses	$ 1,292,376	$ 253,431	$ 521,845	$ 121,647	$ 2,189,299

SOLVE

STATEMENTS OF CASH FLOWS

Years ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from donors and service recipients	$1,162,321	$1,401,267
Cash paid to employees and suppliers	(1,313,755)	(1,413,811)
Interest and dividends received	405	48
Net cash used by operating activities	(151,029)	(12,496)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Distributions from investments	72,203	108,870
Purchase of investments	(2,817)	(634,766)
Purchase of vehicles and equipment	-	(14,230)
Net cash provided (used) by investing activities	69,386	(540,126)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash received for endowment fund	127,622	600,415
Net cash provided by financing activities	127,622	600,415
Increase in cash and cash equivalents	45,979	47,793
Cash and cash equivalents, beginning of year	327,327	279,534
Cash and cash equivalents, end of year	$ 373,306	$ 327,327

The accompanying notes are an integral
part of the financial statements.

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

	2012	2011
Change in net assets	$ (38,944)	$ 483,898
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	8,449	12,473
Loss on disposal of vehicles and equipment	-	14,839
Net unrealized and realized losses (gains) on investments	(193,722)	31,294
Contributions received for endowment fund	(21,757)	(600,415)
Noncash contributions received for equipment	-	(29,500)
Changes in assets and liabilities:		
Decrease in accounts receivable	9,077	13,575
Decrease (increase) in contributions receivable	114,188	(66,175)
Decrease in inventory	678	159
Decrease (increase) in prepaid expenses and deposits	5,296	(22,997)
Decrease in defined benefit pension assets	-	40,315
(Decrease) increase in accounts payable	(36,719)	65,179
(Decrease) increase in accrued payroll, payroll taxes and benefits payable	(8,667)	12,698
Increase in defined benefit pension liabilities	11,092	32,161
Net cash used by operating activities	$ (151,029)	$ (12,496)

1. Organization and Summary of Significant Accounting Policies

SOLV*E* (formerly known as SOLV) was founded in 1969 by Governor Tom McCall and other community leaders to bring all Oregonians together as citizen stewards of the State of Oregon. SOLV*E* is a statewide nonprofit organization that focuses on community engagement through volunteer action in the areas of community cleanup, watershed restoration and enhancement, and education.

In 2012, the Organization changed its name to do business as SOLV*E* to reflect its focus on action, and to encourage all Oregonians to get involved in taking care of the state.

The significant accounting policies followed by SOLV*E* are described below:

Financial Statement 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 SOLV*E* and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the same reporting period.

Temporarily restricted net assets – Net assets subject to donor-restrictions that will be met either by actions of SOLV*E* and/or by the passage of time.

Permanently restricted net assets – Net assets which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits SOLV*E* to expend part or all of the income derived from the donated assets. Contributions received for endowments for the support of SOLV*E* are permanently restricted net assets.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law. When a donor restriction expires, that is, when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

1. Organization and Summary of Significant Accounting Policies, Continued

Functional Allocation of Expenses

The costs of providing the various 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.

Contributions

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received. Unconditional promises to give that are expected to be collected within one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. 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.

Contributions of Long-Lived Assets

Contributions of equipment and furnishings without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire equipment and furnishings with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Contributed Services

Significant services received, which create or enhance a non-financial asset or require specialized skills that the organization would have purchased if not donated, are recognized in the statement of activities. A number of unpaid volunteers have made significant contributions of their time to develop and implement programs of SOLV*E*. In accordance with generally accepted accounting principles, the value of such services have not been recognized in the statement of activities.

Other In-Kind Contributions

In-kind contributions of equipment and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of SOLV*E*'s activities.

1. Organization and Summary of Significant Accounting Policies, Continued

Revenue Recognition

All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Service revenues are recognized at the time services are provided and the revenues are earned. Service revenues arise primarily from contracts with state and local governmental agencies for cleanup and watershed restoration projects.

Cash and Cash Equivalents

SOLV*E* considers all highly liquid investments having initial maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair value in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Vehicles and Equipment

Vehicles and equipment are recorded at cost at the date of acquisition or at fair market value at the date of donation when acquired by gift. Minor additions and renewals are expensed in the year incurred. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, generally three to seven years.

Operations

Results from operations in the statement of activities reflects all transactions increasing or decreasing unrestricted net assets except those items of a capital nature associated with long-term investment or physical facilities.

1. Organization and Summary of Significant Accounting Policies, Continued

Income Taxes

SOLV*E* is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law and, as such, is not subject to income taxes on net income from exempt activities. SOLV*E*'s Federal returns of organization exempt from income tax are subject to examination by the Internal Revenue Service for the last three years.

Use of Estimates

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

Subsequent Events

Subsequent events have been evaluated through May 3, 2013, the date that the financial statements are available to be issued.

2. Program Services

SOLV*E* engages volunteers in the areas of community cleanup, watershed restoration and enhancement, and education. During 2012 volunteers contributed over 37,000 hours of service, removing over 600,000 lbs of invasive plants, removing over 395,000 lbs of trash, and planted over 28,000 plants and trees during 1,176 events at 1,205 sites.

SOLV*E* Spring Oregon Beach Cleanup - Every spring the Oregon coastline is cleaned of litter and marine debris, returning it to its pristine condition for visitors and wildlife. This effort empowers citizens to be an active part of keeping their state clean and beautiful. The first beach cleanup in the nation was held here in Oregon in 1984. Since then, annual beach cleanups have spread to 55 states and US territories as well as 87 countries and sovereign territories.

SOLV*E* Oregon Beach and Riverside Cleanup – In 2010, the Fall Beach Cleanup was expanded to include inland waterway cleanup sites around the state. Thousands of volunteers pick up trash, pull invasive vegetation and plant native trees along or waterways and beaches to improve wildlife habitat, erosion control and water quality.

SOLV*E* IT – One of the largest Earth Day activities in the nation, SOLV*E* IT projects take place around the state involving volunteers in illegal dumpsite and neighborhood litter cleanups, invasive vegetation removal, native tree and shrub plantings and maintenance of watershed restoration sites.

2. Program Services, Continued

Project Oregon – Project Oregon supports anyone who wants to organize a project that engages volunteers in cleanup and restoration activities anywhere and anytime in Oregon. SOLV*E* provides small grants, project planning assistance and cleanup project supplies.

Oregon Adopt-A-River – Oregon Adopt-A-River is a partnership between SOLV*E* and the Oregon State Marine Board. The program supports individuals and organizations in cleaning up their favorite stretch of waterway (river, lake or stream) anywhere in the state of Oregon, while focusing on watershed health and a good stewardship ethic. The commitment is for 2 years doing at least 2 cleanups per year on a minimum stretch of 2 miles of waterway.

K-16 Education – SOLV*E*'s education programs and curricula are designed to involve students in service-learning, a teaching and learning strategy that integrates meaningful community service with academic study to enrich learning, teach civic responsibility, and strengthen communities, Students gain a "real world" extension to their classroom education, and at the same time, build a connection to their community.

Volunteer Outreach and Training – SOLV*E* recruits, trains, acknowledges and retains volunteers and supports SOLV*E* projects in communities throughout the state of Oregon. Volunteer Action Trainings and Stream Team Captain Trainings train community leaders to coordinate SOLV*E* volunteer projects. SOLV*E* also trains volunteer Ambassadors to represent SOLV*E* at community events in the Portland Metro area.

Team Up for Watershed Health – SOLV*E*'s Team Up for Watershed Health Program seeks to involve and educate community members in restoration projects along priority waterways in the Portland Metro area to improve water quality and habitat for fish and wildlife. Team Up provides a long-term commitment to these sites, and involves local groups and schools to remove invasive plants, plant native trees and shrubs, maintain sites, and monitor watershed health.

Green Team – Green Team engages high school and middle school science classes in the Portland Metro area in stream and wetland enhancement projects at Team Up sites. Students learn the basics of watershed, threats to watershed health, impacts of land use, stream restoration techniques, restoration design, vegetation and water quality monitoring, and native plant identification through on-site hands-on activities and related in-class activities.

3. Cash

The following is a summary of cash by net assets:

	2012	2011
Unrestricted net assets	$118,858	$199,562
Temporarily restricted – programs	36,438	28,750
Permanently restricted	218,010	99,015
	$373,306	$327,327

4. Contributions Receivable

Contributions receivable consist of unconditional promises to give as follows at December 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Receivable in less than one year	$ 29,893	$ 66,181	$ 90,242	$186,316
Receivable in one to five years	-	16,852	82,467	99,319
Less allowance for doubtful pledges	(6,341)	(8,945)	-	(15,286)
	23,552	74,088	172,709	270,349
Less discounts to net present value	-	(433)	(6,492)	(6,925)
	$ 23,552	$ 73,655	$166,217	$263,424

Contributions receivable consist of unconditional promises to give as follows at December 31, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Receivable in less than one year	$ 71,109	$162,677	$133,727	$367,513
Receivable in one to five years	-	36,725	146,700	183,425
Receivable in six to seven years	-	-	5,000	5,000
Less allowance for doubtful pledges	(42,000)	(15,000)	-	(57,000)
	29,109	184,402	285,427	498,938
Less discounts to net present value	-	(2,116)	(13,345)	(15,461)
	$ 29,109	$182,286	$272,082	$483,477

The discount rate used on long-term contributions receivable was 5% in 2012 and 2011.

5. Investments

The fair values of investments are summarized as follows:

	2012	2011
Pooled investment fund maintained by the Oregon Community Foundation (OCF)	$1,585,813	$1,498,683
Mutual funds	429,015	391,809
	$2,014,828	$1,890,492

The pooled investment fund assets are invested by OCF principally in common stocks and bonds, and are carried at fair market value. Income earned by the pooled investment fund is distributed to SOLV*E* not less than annually based on a reasonable rate of return as determined by the board of directors of the OCF. Additional distributions from the fund can be requested by SOLV*E*'s board of directors. Distributions totaled $67,562 and $43,870 in 2012 and 2011, respectively.

The portfolio of mutual funds consists of investments in twelve to thirteen different funds at December 31, 2012 and 2011, ranging from fixed income funds to growth funds. The asset allocation at December 31, 2012 and 2011 consisted of approximately 39.5% and 46.1% in stocks and 59.5% and 53.9% in bonds, respectively.

The following is a summary of investments by net assets:

	2012	2011
Unrestricted	$ 126,334	$ 10,625
Permanently restricted endowment	1,888,494	1,879,867
	$2,014,828	$1,890,492

There are no donor restrictions on earnings on temporarily restricted or permanently restricted investments. Thus all earnings from investments are classified as unrestricted in the statement of activities, except for amounts required to restore prior year losses in permanently restricted investments.

Investment return consists of the following:

	2012	2011
Interest and dividends	$ 32,130	$ 27,369
Realized gains	22,617	13,603
Unrealized gains (losses)	155,660	(58,148)
Fees and expenses	(16,685)	(14,118)
	$ 193,722	$ (31,294)

6. Fair Value Measurement

FASB ASC 820 establishes a framework for measuring fair value, clarifies the definition of fair value and expands disclosures about fair-value measurements. FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability. Fair value is a market-based measurement that should be determined using assumptions that market participants would use in pricing an asset or liability. FASB ASC 820 establishes a valuation hierarchy for disclosure of fair value measurements. The categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The categories within the valuation hierarchy are described below:

Level 1 – Financial instruments with quoted prices in active markets for identical assets or liabilities. The Organization's level 1 financial instruments consist of mutual funds.

Level 2 – Financial instruments with quoted prices in active markets for similar assets or liabilities. Level 2 fair value measurements are determined using either prices for similar instruments or inputs that are either directly or indirectly observable, such as interest rates. The Organization does not have any financial assets or liabilities being measured at fair value that are classified as level 2 financial instruments.

Level 3 – Inputs to the fair value measurements are unobservable inputs or valuation techniques. The Organization's level 3 financial instruments include pooled investment funds.

A summary of financial assets measured at fair value is as follows:

Assets	Total at December 31, 2012	Quoted Price in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Input (Level3)
Mutual funds	$ 429,015	$ 429,015	$ -	$ -
Pooled investment funds	1,585,813	-	-	1,585,813
Total assets at fair value	$2,014,828	$ 429,015	$ -	$1,585,813

6. Fair Value Measurement, Continued

Assets	Total at December 31, 2011	Quoted Price in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Input (Level 3)
Mutual funds	$ 391,809	$ 391,809	$ -	$ -
Pooled investment funds	1,498,683	-	-	1,498,683
Total assets at fair value	$1,890,492	$ 391,809	$ -	$1,498,683

The following table sets forth a summary of changes in fair value of the Level 3 assets for the years ended December 31, 2012 and 2011:

	Pooled Investment Funds	
	2012	2011
Balance, beginning of year	$1,498,683	$ 993,564
Purchases	-	580,000
Interest and dividends	16,097	13,583
Realized gains (losses)	14,268	(1,105)
Unrealized gains (losses)	135,631	(35,007)
Fees and expenses	(11,303)	(8,482)
Disbursements	(67,562)	(43,870)
Balance, end of year	$1,585,814	$1,498,683

7. Vehicles and Equipment

Vehicles and equipment consist of the following:

	2012	2011
Vehicles	$ 8,300	$ 8,300
Equipment	129,990	129,990
	138,290	138,290
Less accumulated depreciation	(99,844)	(91,395)
	$ 38,446	$ 46,895

Depreciation and amortization expense was $8,449 and $12,473 in 2012 and 2011, respectively.

8. Lease Commitments

SOLV*E* leases its administrative office and certain office equipment under non-cancelable operating leases.

The following is a schedule of future minimum rental payments under operating leases as of December 31.

2013	$132,623
2014	132,736
2015	126,120
2016	129,916
Thereafter	66,919
	$588,314

Rent expense for operating leases was $131,265 and $185,810 in 2012 and 2011, respectively.

9. Retirement Plans

Tax Sheltered Annuity Plan

SOLV*E* provides all employees with the opportunity to contribute to a tax-sheltered annuity plan as described in Section 403(b) of the Internal Revenue Code. All employees may make voluntary contributions to the plan on a pre-tax basis, up to the limits allowed by law, from their first day of employment. Employees select among several investment options.

Defined Benefit Plan

SOLV*E* adopted a defined benefit retirement plan effective January 1, 1998. All employees are eligible to enter the plan who have attained age 21, have worked at least 1000 hours per year and have been employed for twelve months. SOLV*E*'s policy is to fund accrued pensions costs.

SOLV*E* amended the defined benefit retirement plan by freezing benefit accruals and participation in the plan effective May 15, 2009.

9. Retirement Plans, Continued

The following are disclosures related to the defined benefit pension plan:

	2012	2011
Net Periodic Benefit Cost		
Service cost	$ 3,500	$ 3,500
Interest cost	15,267	15,842
Expected return on plan assets	(15,813)	(17,160)
Amortization of transition obligation/(asset)	-	-
Amortization of (gain)/loss	17	(63)
Net periodic benefit cost	2,971	2,119
Curtailment	-	-
Settlement	-	-
Total net periodic benefit cost	$ 2,971	$ 2,119
Change in Projected Benefit Obligation		
Projected benefit obligation at beginning of year	$ 301,248	$ 249,661
Service cost	-	-
Interest cost	15,267	15,842
Curtailments	-	-
Settlement	-	-
Disbursements	(3,438)	(20,210)
Actuarial (gain)/loss	31,627	55,955
Projected benefit obligation at end of year	$ 344,704	$ 301,248
Change in Fair Value of Plan Assets		
Fair value of plan assets at beginning of year	$ 269,087	$ 289,976
Actual return on plan assets	38,891	3,585
Employer contributions	-	-
Settlements	-	-
Benefits paid	(3,438)	(20,210)
Administrative expenses	(3,089)	(4,264)
Fair value of plan assets at end of year	$ 301,451	$ 269,087

9. Retirement Plans, Continued

	2012	2011
Key Assumptions		
Discount rate for net periodic benefit cost	5.00%	6.00%
Salary scale for net periodic benefit cost	N/A	N/A
Expected return on plan assets	6.00%	6.00%
Discount rate for disclosure obligations	4.50%	5.00%
Salary scale for disclosure obligations	N/A	N/A
Measurement Date	December 31	December 31
Benefit Obligations at End of Year		
Accumulated benefit obligation	$ 344,704	$ 301,245
Projected benefit obligation	344,704	301,248
Statement of Funded Status		
Projected benefit obligation	$(344,704)	$(301,248)
Fair value of plan assets	301,451	269,087
Funded status at end of year	$ (43,253)	$ (32,161)
Amounts Recognized in Statement of Financial Position		
Defined benefit pension assets	$ -	$ -
Defined benefit pension liabilities	(43,253)	(32,161)
Funded status	$ (43,253)	$ (32,161)
Amounts Recognized in Unrestricted Net Assets		
Net loss/(gain)	$ 33,090	$ 24,969
Transition obligation/(assets)	-	-
Total	$ 33,090	$ 24,969
Information for Pension Plans with an Accumulated Benefit Obligation in Excess of Plan Assets		
Projected benefit obligation	$344,704	$301,248
Accumulated benefit obligation	$344,704	$301,248
Fair value of plan assets	$301,451	$269,087

9. Retirement Plans, Continued

Other Changes in Plan Assets and Benefit Obligations Recognized in Unrestricted Net Assets	2012	2011
Net (gain)/loss	$ 8,138	$ 70,294
Amortization of net gain/(loss)	(17)	63
Amortization of transition (obligation)/asset	-	-
Total recognized in unrestricted net assets	$ 8,121	$ 70,357
Total recognized in net periodic benefit cost and other comprehensive income or unrestricted net asset	$ 11,092	$ 72,476

The estimated net loss, prior service cost and transition obligation for the defined benefit pension plans that will be amortized from unrestricted net assets into net periodic benefit cost over the next fiscal year are $-0-, $-0- and $-0-, respectively.

Expected Contributions to the Trust

2013 Expected plan contributions		N/A

Expected Benefit Payments from the Trust

2013 Expected benefit payments	(year 1)	$ 4,092
2014 Expected benefit payments	(year 2)	10,691
2015 Expected benefit payments	(year 3)	10,577
2016 Expected benefit payments	(year 4)	10,452
2017 Expected benefit payments	(year 5)	10,314
2018-2022 Expected benefit payments	(year 6-10)	116,759

Distribution of Fair Value of Assets by Investment Class

Investment Class	Percentage of Assets
Debt investments	0%
Equity Investments	100%
Other	0%
Fair value as of December 31, 2012	100%

10. Restrictions on Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes and programs:

	2012	2011
Current year general operations	$ 51,068	$ 31,563
Future years general operations	6,875	12,101
Oregon Beach and Riverside Cleanup	8,750	11,250
Oregon Adopt-A-River	5,500	-
Green Team	3,000	5,511
Education	1,900	-
Volunteer Outreach and Training	-	75,000
Project Oregon	-	2,500
SOLV*E* IT	33,000	23,000
Team Up For Watershed Health	-	50,111
	$110,093	$211,036

Permanently Restricted

Permanently restricted net assets consist of endowments for the support of SOLV*E*. Contributions to the permanent endowment totaled $21,757 and $810,927 for 2012 and 2011, respectively.

Permanently restricted net assets consist of the following:

	2012	2011
Cash	$ 218,010	$ 99,015
Contributions receivable	166,217	272,082
Investments	1,888,494	1,879,867
	$2,272,721	$2,250,964

11. Concentration of Credit Risk

Financial instruments which potentially subject the Organization to significant concentrations of credit risk consist primarily of cash.

SOLV*E* restricts investment of cash and cash equivalents to financial institutions with high credit standing. These financial institutions have locations throughout the country. The Organization's periodic evaluations of the relative credit standing of these financial institutions are considered in the Organization's investment strategy.

11. Concentration of Credit Risk, Continued

Accounts at a financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The amount in excess of the FDIC limit totaled approximately $65,000 and $-0- at December 31, 2012 and 2011, respectively.

Money market funds held in investments are not FDIC insured. Money market funds held in investments totaled $4,288 and $7,108 at December 31, 2012 and 2011, respectively.

12. In-Kind Contributions

SOLV*E* recognizes contribution revenue for certain services and materials received at the fair value of those materials and services.

In-kind contributions consist of the following for 2012:

	Materials	Service	Total
Program services	$ 9,685	$ 3,604	$ 13,289
Management and general	-	77,598	77,598
Development	60	-	60
Recognition event	-	-	-
	$ 9,745	$ 81,202	$ 90,947

In-kind contributions consist of the following for 2011:

	Equipment	Service	Total
Program services	$ -	$ 291,000	$ 291,000
Management and general	29,500	57,000	86,500
Development	-	286,700	286,700
Recognition event	-	800	800
	$ 29,500	$ 635,500	$ 665,000