SOLV*E*

FINANCIAL STATEMENTS

Years ended December 31, 2015 and 2014

with

INDEPENDENT AUDITOR'S REPORT

Bashar & Johnson, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

SOLV*E*

(An Oregon nonprofit corporation)

CONTENTS

Bashar & Johnson, P.C.
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
SOLV*E*
Portland, Oregon

We have audited the accompanying financial statements of SOLV*E* which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bashar & Johnson, P.C.

Beaverton, Oregon
April 27, 2016

SOLVE

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

ASSETS

	2015	2014
Cash (Note 3)	$ 137,611	$ 441,911
Accounts receivable	70,088	75,800
Contributions receivable (Note 4)	222,192	166,143
Investments (Notes 5, 6 and 8)	1,921,987	2,022,526
Prepaid expenses and deposits	19,139	20,545
Vehicles and equipment, net (Note 7)	49,749	51,215
Defined benefit pension assets (Note 10)	-	45,202
Total assets	$2,420,766	$2,823,342

LIABILITIES AND NET ASSETS

	2015	2014
Liabilities:		
Margin note payable (Note 8)	$ 141,321	$ 154,467
Accounts payable	78,651	21,671
Accrued payroll, payroll taxes and benefits payable	37,813	29,274
Accrued pension liability (Note 10)	35,579	-
Total liabilities	293,364	205,412
Commitments and contingencies (Note 9)	-	-
Net assets (Note 11):		
Unrestricted	(80,759)	248,278
Temporarily restricted	908,294	1,069,785
Permanently restricted	1,299,867	1,299,867
Total net assets	2,127,402	2,617,930
Total liabilities and net assets	$2,420,766	$2,823,342

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

SOLV*E*

STATEMENT OF ACTIVITIES

Year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Grants and contributions	$ 657,256	$ 124,215	$ -	$ 781,471
Contract revenue	235,449	-	-	235,449
Investment loss	(18,555)	-	-	(18,555)
In-kind contributions (Note 13)	590,604	-	-	590,604
Special event	196,895	-	-	196,895
Other income	75	-	-	75
Interest income	403	-	-	403
Total revenues and gains	1,662,127	124,215	-	1,786,342
Net assets released from restrictions	285,706	(285,706)	-	-
Total revenues, gains, and other support	1,947,833	(161,491)	-	1,786,342
EXPENSES				
Program services	1,684,878	-	-	1,684,878
Management and general	343,205	-	-	343,205
Development	152,820	-	-	152,820
Special event	95,967	-	-	95,967
Total expenses	2,276,870	-	-	2,276,870
DECREASE IN NET ASSETS	(329,037)	(161,491)	-	(490,528)
NET ASSETS, beginning of year	248,278	1,069,785	1,299,867	2,617,930
NET ASSETS (DEFICIT), end of year	$ (80,759)	$ 908,294	$1,299,867	$2,127,402

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

SOLVE

STATEMENT OF ACTIVITIES

Year ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Grants and contributions	$ 698,574	$ 76,566	$ -	$ 775,140
Contract revenue	223,373	-	-	223,373
Investment gain	93,575	-	-	93,575
In-kind contributions (Note 13)	701,948	-	-	701,948
Special event	176,129	-	-	176,129
Other income	570	-	-	570
Interest income	92	-	-	92
Total revenues and gains	1,894,261	76,566	-	1,970,827
Net assets released from restrictions	160,765	(160,765)	-	-
Total revenues, gains, and other support	2,055,026	(84,199)	-	1,970,827
EXPENSES				
Program services	1,559,984	-	-	1,559,984
Management and general	310,949	-	-	310,949
Development	137,684	-	-	137,684
Special event	137,484	-	-	137,484
Total expenses	2,146,101	-	-	2,146,101
DECREASE IN NET ASSETS	(91,075)	(84,199)	-	(175,274)
NET ASSETS, beginning of year	339,353	1,153,984	1,299,867	2,793,204
NET ASSETS, end of year	$ 248,278	$1,069,785	$1,299,867	$2,617,930

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

SOLV*E*

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2015

	Program Services	Management and General	Development	Recognition Event	Total
Salaries, payroll taxes, and benefits	$ 658,649	$ 268,920	$ 112,036	$ 32,593	$ 1,072,198
Change in pension obligation (Note 10)	49,624	20,261	8,441	2,455	80,781
Professional fees and contract services	25,542	7,298	2,554	1,095	36,489
Occupancy	72,541	20,726	7,254	3,109	103,630
Telephone	3,723	742	260	111	4,836
Supplies	5,113	1,453	509	218	7,293
Printing	25,900	1,540	8,856	4,042	40,338
Postage and shipping	6,877	451	1,162	191	8,681
Advertising	2,424	256	90	39	2,809
Event services	150,622	57	20	45,411	196,110
Project grants	5,808	-	-	-	5,808
Travel and transportation	30,244	2,258	946	339	33,787
Meetings and training	8,480	1,785	624	268	11,157
Recognition awards	9,478	335	117	50	9,980
Insurance	12,475	3,564	1,247	535	17,821
Fees and dues	11,616	4,500	4,233	521	20,870
Interest expense	5,155	1,997	1,878	231	9,261
Pledge write-offs	4,237	1,196	1,373	180	6,986
Donated goods and services	584,168	2,380	-	4,056	590,604
Total expenses before depreciation	1,672,676	339,719	151,600	95,444	2,259,439
Depreciation	12,202	3,486	1,220	523	17,431
Total expenses	$ 1,684,878	$ 343,205	$ 152,820	$ 95,967	$ 2,276,870

SOLV*E*

STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2014

	Program Services	Management and General	Development	Recognition Event	Total
Salaries, payroll taxes, and benefits	$ 529,647	$ 237,867	$ 93,999	$ 57,537	$ 919,050
Change in pension obligation (Note 10)	(1,539)	(691)	(273)	(167)	(2,670)
Professional fees and contract services	35,931	14,690	11,809	2,593	65,023
Occupancy	50,366	25,183	3,358	5,037	83,944
Telephone	3,014	1,000	133	200	4,347
Supplies	5,622	2,770	369	554	9,315
Printing	29,506	3,813	14,711	6,331	54,361
Postage and shipping	7,022	1,412	2,106	791	11,331
Advertising	526	263	35	52	876
Event services	133,454	148	558	55,163	189,323
Project grants	7,287	-	-	-	7,287
Travel and transportation	30,312	4,833	841	966	36,952
Meetings and training	5,968	1,661	247	332	8,208
Recognition awards	10,989	502	43	65	11,599
Insurance	9,037	4,518	602	904	15,061
Fees and dues	6,269	3,486	410	663	10,828
Interest expense	5,949	3,309	388	630	10,276
Pledge write-offs	3,853	1,926	257	385	6,421
Donated goods and services	678,254	-	7,523	4,596	690,373
Total expenses before depreciation	1,551,467	306,690	137,116	136,632	2,131,905
Depreciation	8,517	4,259	568	852	14,196
Total expenses	$ 1,559,984	$ 310,949	$ 137,684	$ 137,484	$ 2,146,101

SOLVE

STATEMENTS OF CASH FLOWS

Years ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from donors and service recipients	$1,163,553	$1,213,689
Cash paid to employees and suppliers	(1,511,868)	(1,450,961)
Interest and dividends received	403	92
Interest paid	(9,261)	(10,276)
Net cash used by operating activities	(357,173)	(247,456)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Distributions from investments	81,984	481,174
Purchase of property and equipment	(15,965)	(5,860)
Net cash provided by investing activities	66,019	475,314
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings (repayments) on margin note payable	(13,146)	3,823
Net cash provided (used) by financing activities	(13,146)	3,823
Increase (decrease) in cash and cash equivalents	(304,300)	231,681
Cash and cash equivalents, beginning of year	441,911	210,230
Cash and cash equivalents, end of year	$ 137,611	$ 441,911

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

STATEMENTS OF CASH FLOWS, CONTINUED

Years ended December 31, 2015 and 2014

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

	2015	2014
Change in net assets	$ (490,528)	$ (175,274)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	17,431	14,196
Net unrealized and realized (gains) losses on investments	18,555	(93,575)
Noncash contributions received for equipment	-	(11,575)
Gain on sale of property and equipment	-	(550)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	5,712	(5,562)
(Increase) decrease in contributions receivable	(56,049)	43,185
Decrease in prepaid expenses and deposits	1,406	7,654
Decrease (increase) in defined benefit pension assets	45,202	(2,670)
Increase (decrease) in accounts payable	56,980	(10,198)
Increase (decrease) in accrued payroll, payroll taxes and benefits payable	8,539	(13,087)
Increase in accrued defined benefit pension payable	35,579	-
Net cash used by operating activities	$ (357,173)	$ (247,456)

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

1. Organization and Summary of Significant Accounting Policies

SOLVE 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. SOLVE 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.

The significant accounting policies followed by SOLVE 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 SOLVE 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 SOLVE 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 SOLVE to expend part or all of the income derived from the donated assets. Contributions received for endowments for the support of SOLVE 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 statements 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 statements 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.

Reclassification

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 presentation.

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 April 27, 2016, 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 2015 volunteers contributed over 122,000 hours of service, clearing over 86 acres of invasive plants, removing over 550,000 lbs. of trash, and planted over 23,000 plants and trees during 999 events.

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:

	2015	2014
Unrestricted net assets	$ (21,583)	$195,401
Temporarily restricted – programs	159,194	246,510
	$137,611	$441,911

4. Contributions Receivable

Contributions receivable consist of unconditional promises to give as follows at December 31, 2015:

	Unrestricted	Temporarily Restricted	Total
Receivable in less than one year	$ 95,212	$ 94,487	$189,699
Receivable in one to five years	-	31,220	31,220
Receivable in over five years	-	5,500	5,500
	95,212	131,207	226,419
Less discounts to net present value	-	(4,227)	(4,227)
	$ 95,212	$126,980	$222,192

Contributions receivable consist of unconditional promises to give as follows at December 31, 2014:

	Unrestricted	Temporarily Restricted	Total
Receivable in less than one year	$ 65,527	$ 84,338	$149,865
Receivable in one to five years	-	17,935	17,935
	65,527	102,273	167,800
Less discounts to net present value	-	(1,657)	(1,657)
	$ 65,527	$100,616	$166,143

The discount rate used on long-term contributions receivable was 5% in 2015 and 2014.

5. Investments

The fair values of investments are summarized as follows:

	2015	2014
Pooled investment fund maintained by the Oregon Community Foundation (OCF)	$1,318,744	$1,395,368
Stocks	-	2,872
Mutual funds (Note 8)	603,243	624,286
	$1,921,987	$2,022,526

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 $59,577 and $370,898 in 2015 and 2014, respectively.

The portfolio of mutual funds consists of investments in thirteen to twenty different funds at December 31, 2015 and 2014, ranging from fixed income funds to growth funds. The asset allocation at December 31, 2015 and 2014 consisted of approximately 67.8% and 65.8% in stocks and 32.2% and 34.2% in bonds, respectively.

The following is a summary of investments by net assets:

	2015	2014
Unrestricted	$ -	$ -
Temporarily restricted	622,120	722,659
Permanently restricted endowment	1,299,867	1,299,867
	$1,921,987	$2,022,526

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:

	2015	2014
Interest and dividends	$ 31,002	$ 47,810
Realized gains	4,690	61,121
Unrealized gains (losses)	(38,190)	4,209
Fees and expenses	(16,057)	(19,565)
	$ (18,555)	$ 93,575

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, 2015	Quoted Price in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Input (Level 3)
Mutual funds	$ 603,243	$ 603,243	$ -	$ -
Pooled investment funds	1,318,744	-	-	1,318,744
Total assets at fair value	$1,921,987	$ 603,243	$ -	$1,318,744

6. Fair Value Measurement, Continued

Assets	Total at December 31, 2014	Quoted Price in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Input (Level 3)
Stocks	$ 2,872	$ 2,872	$ -	$ -
Mutual funds	624,286	624,286	-	-
Pooled investment funds	1,395,368	-	-	1,395,368
Total assets at fair value	$2,022,526	$ 627,158	$ -	$1,395,368

The following table sets forth a summary of changes in fair value of the Level 3 assets for the years ended December 31, 2015 and 2014:

	Pooled Investment Funds 2015	Pooled Investment Funds 2014
Balance, beginning of year	$1,395,368	$1,707,222
Purchases	-	-
Interest and dividends	17,613	16,068
Realized gains (losses)	(19,261)	39,047
Unrealized gains (losses)	(5,026)	16,491
Fees and expenses	(10,373)	(12,562)
Disbursements	(59,577)	(370,898)
Balance, end of year	$1,318,744	$1,395,368

7. Vehicles and Equipment

Vehicles and equipment consist of the following:

	2015	2014
Vehicles	$ 28,640	$ 16,640
Equipment	146,960	154,086
	175,600	170,726
Less accumulated depreciation	(125,851)	(119,511)
	$ 49,749	$ 51,215

Depreciation and amortization expense was $17,431 and $14,196 in 2015 and 2014, respectively.

8. Margin Note Payable

Margin note payable consists of a line-of-credit with Bank of America, secured by margin stock invested at Merrill Lynch. The maximum available credit is determined by Bank of America based on the value of securities pledged as collateral. Interest is payable monthly at the bank's base lending rate plus 0.875% (6.125% at December 31, 2015). The outstanding balance of the note was $141,321 and $154,467 at December 31, 2015 and 2014, respectively. Interest expense was $9,261 and $10,276 for the years ended December 31, 2015 and 2014, respectively.

9. Lease Commitments

SOLV*E* leases its administrative office and certain office equipment under non-cancelable operating leases. SOLV*E* is responsible for its share of common area maintenance charges, but receives a reduction for the non-profit county property tax credit.

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

2016	$134,896
2017	71,898
2018	4,980
2019	2,075
	$213,849

Rent expense for operating leases was $107,651 and $91,521 in 2015 and 2014, respectively.

10. 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 were eligible to enter the plan who had attained age 21, had worked at least 1000 hours per year and had been employed for twelve months. SOLV*E*'s policy was to fund accrued pensions costs.

10. Retirement Plans, Continued

SOLVE amended the defined benefit retirement plan by freezing benefit accruals and participation in the plan effective May 15, 2009. SOLVE terminated the Plan in 2015 and purchased annuities for the remaining participants. The cost of terminating the Plan was $80,781, including an accrued liability of $35,579 at December 31, 2015.

The following are disclosures related to the defined benefit pension plan as of December 31, 2014:

	2014
Net Periodic Benefit Cost	
Service cost	$ 3,500
Interest cost	13,840
Expected return on plan assets	(18,166)
Amortization of transition obligation (asset)	-
Amortization of (gain)/loss	(570)
Net periodic benefit cost	(1,396)
Curtailment	-
Settlement	-
Total net periodic benefit cost	$ (1,396)
Change in Projected Benefit Obligation	
Projected benefit obligation at beginning of year	$ 266,913
Service cost	-
Interest cost	13,840
Curtailments	-
Settlement	-
Disbursements	(9,940)
Actuarial (gain)/loss	12,975
Projected benefit obligation at end of year	$ 283,788
Change in Fair Value of Plan Assets	
Fair value of plan assets at beginning of year	$ 309,445
Actual return on plan assets	36,300
Employer contributions	-
Settlements	-
Benefits paid	(9,940)
Administrative expenses	(6,815)
Fair value of plan assets at end of year	$ 328,990

10. Retirement Plans, Continued

	2014
Key Assumptions	
Discount rate for net periodic benefit cost	5.00%
Salary scale for net periodic benefit cost	N/A
Expected return on plan assets	6.00%
Discount rate for disclosure obligations	5.00%
Salary scale for disclosure obligations	N/A
Measurement Date	December 31
Benefit Obligations at End of Year	
Accumulated benefit obligation	$ 283,788
Projected benefit obligation	283,788
Statement of Funded Status	
Projected benefit obligation	$(283,788)
Fair value of plan assets	328,990
Funded status at end of year	$ 45,202
Amounts Recognized in Statement of Financial Position	
Defined benefit pension assets	$ 45,202
Defined benefit pension liabilities	-
Funded status	$ 45,202
Amounts Recognized in Unrestricted Net Assets	
Net loss (gain)	$ (55,772)
Transition obligation (assets)	-
Total	$ (55,772)
Information for Pension Plans with an Accumulated Benefit Obligation in Excess of Plan Assets	
Projected benefit obligation	N/A
Accumulated benefit obligation	N/A
Fair value of plan assets	N/A

10. Retirement Plans, Continued

	2014
Other Changes in Plan Assets and Benefit Obligations Recognized in Unrestricted Net Assets	
Net (gain) loss	$ (1,844)
Amortization of net gain (loss)	570
Amortization of transition (obligation) asset	-
Total recognized in unrestricted net assets	$ (1,274)
Total recognized in net periodic benefit cost and other comprehensive income or unrestricted net asset	$ (2,670)

11. Restrictions on Net Assets

Temporarily Restricted Net Assets

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

	2015	2014
Current year general operations	$ 4,080	$ 7,346
Future years general operations	1,974	2,264
Oregon Beach and Riverside Cleanup	15,250	10,000
Green Team	7,500	8,500
Project Oregon	5,000	2,500
SOLVE IT	51,667	33,000
Spring Beach Cleanup	33,667	8,250
Team Up For Watershed Health	8,500	20,000
McGowan Endowed Directorship	780,656	977,925
	$ 908,294	$1,069,785

Permanently Restricted

Permanently restricted net assets consist of endowments for the support of SOLVE.

Permanently restricted net assets consist of the following:

	2015	2014
Investments	$1,299,867	$1,299,867

12. 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.

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 $-0- and $204,500 at December 31, 2015 and 2014, respectively.

Money market funds held in investments are not FDIC insured. Money market funds held in investments totaled $-0- and $-0- at December 31, 2015 and 2014, respectively.

13. 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 2015:

	Materials	Service	Total
Program services	$ 21,099	$ 563,069	$ 584,168
Management and general	-	2,380	2,380
Development	-	-	-
Special event	3,179	877	4,056
	$ 24,278	$ 566,326	$ 590,604

In-kind contributions consist of the following for 2014:

	Vehicles	Materials	Service	Total
Program services	$ -	$ 9,304	$ 661,581	$ 670,885
Management and general	11,575	1,605	12,176	25,356
Development	-	919	-	919
Special event	-	4,788	-	4,788
	$ 11,575	$ 16,616	$ 673,757	$ 701,948