

FRIENDS OF THE MISSISSIPPI RIVER
FINANCIAL STATEMENTS

Years Ended December 31, 2009 and 2008

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Friends of the Mississippi River
St. Paul, Minnesota

We have audited the accompanying statements of financial position of Friends of the Mississippi River (a nonprofit organization) as of December 31, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 Friends of the Mississippi River as of December 31, 2009 and 2008, 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.

Judd, Ostermann & Demro, Ltd.

May 24, 2010
Bloomington, Minnesota

FRIENDS OF THE MISSISSIPPI RIVER
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

ASSETS

| | 2009 | 2008 |
|---|--------------|--------------|
| CURRENT ASSETS | | |
| Cash | \$ 149,669 | \$ 205,725 |
| Investments | 349,280 | 339,833 |
| Accounts receivable | 8,043 | 149,858 |
| Pledges and grants receivable | 340,239 | 250,000 |
| Prepaid expenses | 9,113 | 2,742 |
| Total current assets | 856,344 | 948,158 |
| OTHER ASSETS | | |
| Restricted investment | 83,545 | 84,181 |
| Long-term pledges and grants receivable | 260,415 | - |
| Total other assets | 343,960 | 84,181 |
| PROPERTY AND EQUIPMENT | | |
| Furniture and equipment | 95,510 | 89,835 |
| Leasehold improvements | 29,763 | 29,763 |
| Less accumulated depreciation | (88,206) | (75,968) |
| Net furniture and equipment | 37,067 | 43,630 |
| Total assets | \$ 1,237,371 | \$ 1,075,969 |

LIABILITIES AND NET ASSETS

| | | |
|--|--------------|--------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 57,751 | \$ 57,781 |
| Current portion of long-term debt | 4,459 | 4,454 |
| Accrued payroll | 29,851 | 19,082 |
| Accrued vacation payable | 27,281 | 23,139 |
| Accrued benefits payable | 4,694 | 2,803 |
| Total current liabilities | 124,036 | 107,259 |
| LONG-TERM DEBT, net of current portion | 6,384 | 11,231 |
| NET ASSETS | | |
| Unrestricted | 126,752 | 110,882 |
| Temporarily restricted | 980,199 | 846,597 |
| Total net assets | 1,106,951 | 957,479 |
| Total liabilities and net assets | \$ 1,237,371 | \$ 1,075,969 |

See notes to financial statements.

FRIENDS OF THE MISSISSIPPI RIVER
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2009 AND 2008

| | <u>2009</u> | <u>2008</u> |
|--|---------------------|-------------------|
| UNRESTRICTED NET ASSETS | | |
| Support and revenue | | |
| Government | \$ 355,762 | \$ 314,327 |
| Foundations | 52,428 | 59,965 |
| Corporations | 111,975 | 79,391 |
| Individual | 290,120 | 285,472 |
| Workplace giving | 39,728 | 38,266 |
| Fees | 22,354 | 18,675 |
| In-kind contributions | 54,180 | 66,354 |
| Interest | 2,614 | 7,313 |
| Unrealized loss on investments | <u>-</u> | <u>(33,142)</u> |
| Total unrestricted support and revenue | 929,161 | 836,621 |
| Net assets released from restrictions | <u>466,998</u> | <u>501,125</u> |
| Total unrestricted support and revenue and other support | <u>1,396,159</u> | <u>1,337,746</u> |
| Expenses | | |
| Land Conservation | 445,702 | 476,062 |
| River Corridor Stewardship | 297,199 | 300,256 |
| Water Protection | 286,516 | 277,776 |
| Supporting services | | |
| Management | 150,441 | 141,848 |
| Fundraising | <u>200,431</u> | <u>197,372</u> |
| Total expenses | <u>1,380,289</u> | <u>1,393,314</u> |
| Change in unrestricted net assets | <u>15,870</u> | <u>(55,568)</u> |
| TEMPORARILY RESTRICTED NET ASSETS | | |
| Support and revenue | | |
| Foundations | 134,015 | 431,500 |
| Corporations | 116,000 | 92,700 |
| Capital campaign | 350,585 | 310,000 |
| Net assets released from restrictions | <u>(466,998)</u> | <u>(501,125)</u> |
| Change in temporarily restricted net assets | <u>133,602</u> | <u>333,075</u> |
| CHANGE IN NET ASSETS | 149,472 | 277,507 |
| NET ASSETS AT BEGINNING OF YEAR | <u>957,479</u> | <u>679,972</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 1,106,951</u> | <u>\$ 957,479</u> |

See notes to financial statements.

FRIENDS OF THE MISSISSIPPI RIVER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2009

| | <u>Land Conservation</u> | <u>River Corridor Stewardship</u> | <u>Water Protection</u> | <u>Management</u> | <u>Fundraising</u> | <u>Total</u> |
|---------------------------------|------------------------------|---|-----------------------------|-------------------|--------------------|---------------------|
| Salaries | \$ 155,853 | \$ 164,539 | \$ 144,719 | \$ 76,809 | \$ 117,018 | \$ 658,938 |
| Payroll taxes and insurance | 31,741 | 25,602 | 21,637 | 16,410 | 27,128 | 122,518 |
| Consultants and subcontractors | 173,319 | 30,607 | 31,438 | 22,110 | 13,494 | 270,968 |
| Space rent | 19,149 | 19,339 | 21,156 | 6,195 | 7,055 | 72,894 |
| Advertising | 10,378 | 10,378 | 10,378 | - | 480 | 31,614 |
| Conference education & training | - | 65 | 90 | 1,506 | 35 | 1,696 |
| Dues and subscriptions | 1,071 | 661 | 661 | 207 | 470 | 3,070 |
| Maintenance | - | - | - | 1,405 | - | 1,405 |
| Equipment lease | 4,773 | 4,773 | 5,163 | (880) | 1,441 | 15,270 |
| Meals and entertainment | 4,818 | 5,917 | 6,372 | 4,972 | 6,462 | 28,541 |
| Liability insurance | 1,833 | 1,833 | 1,833 | 475 | 475 | 6,449 |
| Internet | 319 | 319 | 319 | 83 | 83 | 1,123 |
| Mail house | 458 | 458 | 2,444 | - | 2,358 | 5,718 |
| Membership | 4,327 | 5,268 | 4,327 | 20 | 960 | 14,902 |
| Office supplies | 1,454 | 1,420 | 1,475 | 530 | 563 | 5,442 |
| Parking | 4,841 | 4,958 | 4,859 | 1,799 | 1,849 | 18,306 |
| Payroll service | - | - | - | 2,427 | - | 2,427 |
| Telephone | 746 | 746 | 746 | 280 | 280 | 2,798 |
| Postage | 5,446 | 5,459 | 6,835 | 935 | 9,494 | 28,169 |
| Printing | 7,149 | 7,149 | 8,948 | 1,679 | 8,187 | 33,112 |
| Project supplies | 9,535 | 493 | 3,852 | - | 254 | 14,134 |
| Software books and materials | 297 | 327 | 320 | 111 | 111 | 1,166 |
| Staff and board travel | 2,464 | 1,219 | 3,221 | 1,480 | 1,010 | 9,394 |
| Depreciation | 3,263 | 3,263 | 3,265 | 1,224 | 1,224 | 12,239 |
| Miscellaneous | <u>2,468</u> | <u>2,406</u> | <u>2,458</u> | <u>10,664</u> | <u>-</u> | <u>17,996</u> |
| | <u>\$ 445,702</u> | <u>\$ 297,199</u> | <u>\$ 286,516</u> | <u>\$ 150,441</u> | <u>\$ 200,431</u> | <u>\$ 1,380,289</u> |

See notes to financial statements.

FRIENDS OF THE MISSISSIPPI RIVER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2008

| | <u>Land Conservation</u> | <u>River Corridor Stewardship</u> | <u>Water Protection</u> | <u>Management</u> | <u>Fundraising</u> | <u>Total</u> |
|---------------------------------|------------------------------|---|-----------------------------|-------------------|--------------------|---------------------|
| Salaries | \$ 149,071 | \$ 162,268 | \$ 137,319 | \$ 95,836 | \$ 98,011 | \$ 642,505 |
| Payroll taxes and insurance | 34,946 | 34,946 | 34,946 | 13,105 | 13,105 | 131,048 |
| Consultants and subcontractors | 204,045 | 20,056 | 19,387 | 4,013 | 33,542 | 281,043 |
| Space rent | 18,059 | 18,059 | 18,980 | 5,558 | 5,728 | 66,384 |
| Advertising | 10,747 | 10,747 | 11,073 | 2,333 | 9,072 | 43,972 |
| Conference education & training | 1,654 | 1,202 | 948 | 730 | 300 | 4,834 |
| Dues and subscriptions | 467 | 467 | 474 | 162 | 129 | 1,699 |
| Maintenance | 236 | 36 | 36 | 252 | 14 | 574 |
| Equipment lease | 2,714 | 3,004 | 3,118 | 386 | 1,686 | 10,908 |
| Meals and entertainment | 3,417 | 3,828 | 4,306 | 3,149 | 9,224 | 23,924 |
| Liability insurance | 907 | 907 | 909 | 1,431 | 340 | 4,494 |
| Internet | 327 | 327 | 329 | 104 | 584 | 1,671 |
| Mail house | 2,112 | 2,112 | 2,174 | 20 | 989 | 7,407 |
| Membership | 2,637 | 2,937 | 2,717 | - | 208 | 8,499 |
| Office supplies | 2,597 | 2,852 | 3,043 | 935 | 808 | 10,235 |
| Parking | 4,252 | 4,894 | 4,278 | 2,111 | 1,648 | 17,183 |
| Payroll service | - | - | - | 2,438 | - | 2,438 |
| Telephone | 940 | 940 | 941 | 353 | 353 | 3,527 |
| Postage | 9,456 | 11,024 | 10,034 | 2,724 | 4,244 | 37,482 |
| Printing | 8,365 | 9,245 | 8,649 | 3,696 | 13,747 | 43,702 |
| Project supplies | 7,061 | 115 | 2,196 | - | - | 9,372 |
| Software books and materials | 416 | - | - | 81 | 58 | 555 |
| Staff and board travel | 3,425 | 1,770 | 3,343 | 412 | 384 | 9,334 |
| Depreciation | 3,158 | 3,158 | 3,161 | 1,185 | 1,185 | 11,847 |
| Miscellaneous | <u>5,053</u> | <u>5,362</u> | <u>5,415</u> | <u>834</u> | <u>2,013</u> | <u>18,677</u> |
| | <u>\$ 476,062</u> | <u>\$ 300,256</u> | <u>\$ 277,776</u> | <u>\$ 141,848</u> | <u>\$ 197,372</u> | <u>\$ 1,393,314</u> |

See notes to financial statements.

FRIENDS OF THE MISSISSIPPI RIVER
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008

| | <u>2009</u> | <u>2008</u> |
|--|--------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from contracts fees and support | \$ 1,264,128 | \$ 1,482,903 |
| Cash paid to suppliers and employees | (1,303,470) | (1,259,350) |
| Interest received | <u>2,614</u> | <u>7,313</u> |
| Net cash provided (used) by operating activities | <u>(36,728)</u> | <u>230,866</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (5,675) | (2,527) |
| Increase in investments | (9,447) | (214,633) |
| Decrease in restricted investments | <u>636</u> | <u>40,593</u> |
| Net cash used by investing activities | <u>(14,486)</u> | <u>(176,567)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on long-term debt | <u>(4,842)</u> | <u>(4,092)</u> |
| NET INCREASE (DECREASE) IN CASH | (56,056) | 50,207 |
| CASH AT BEGINNING OF YEAR | <u>205,725</u> | <u>155,518</u> |
| CASH AT END OF YEAR | <u>\$ 149,669</u> | <u>\$ 205,725</u> |
| NON-CASH INVESTING AND FINANCING ACTIVITIES | | |
| Cash paid during the year for interest | <u>\$ 1,242</u> | <u>\$ 1,524</u> |
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES | | |
| Change in net assets | \$ 149,472 | \$ 277,507 |
| Adjustments - | | |
| Depreciation | 12,238 | 11,847 |
| Unrealized loss on investments | - | 33,142 |
| (Increase) decrease in - | | |
| Accounts receivable | 141,815 | (32,453) |
| Pledges and grants receivable | (350,654) | (115,000) |
| Other receivable | - | 61 |
| Prepaid expenses | (6,371) | 3,777 |
| Increase (decrease) in - | | |
| Accounts payable | (30) | 43,952 |
| Accrued expenses | <u>16,802</u> | <u>8,033</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ (36,728)</u> | <u>\$ 230,866</u> |

See notes to financial statements.

FRIENDS OF THE MISSISSIPPI RIVER
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Mission

Friends of the Mississippi River (the Organization) engages citizens to protect, restore and enhance the Mississippi River and its watershed in the Twin Cities region.

Organization

With over 1,400 members, 18 active board members, and a professional staff of 17, Friends of the Mississippi River is a leading citizen organization working to protect and enhance the Mississippi River in the Twin Cities metropolitan area. We believe the tremendous ecological, cultural, scenic and recreational values of the river must be carefully tended to ensure that they continue to be shared equally by all citizens and that they endure for future generations. We accomplish these goals through the following programmatic activities:

Land Conservation

We work to protect and improve land along the Mississippi River and its tributaries. Using a three-phase process of identification, formal protection, and restoration & long-term management, the Land Conservation Program focuses its efforts on protecting the ecological functions of land that plays an important role in the health of the Mississippi River.

Watershed Protection

In order to restore the health and integrity of the river, Friends of the Mississippi River works with citizens, local governments, state and federal agencies and other community stakeholders to protect and enhance water quality in the Mississippi River and its watershed in the Twin Cities metropolitan area.

River Corridor Land use and Policy

Friends of the Mississippi River advocates for land use policies and development that respect the unique ecological, cultural, historical, scenic and recreational values of the river corridor. We build capacity among the citizens and other stakeholders of the region to become more effective stewards of the river's resources of local, regional and national significance.

Stewardship Volunteering and Education

Long-term stewardship of the Mississippi River and its watershed requires a large, well-informed constituency of citizens who care about the river and its watershed and who are willing to take action to protect it. Friends of the Mississippi River is a recognized leader in programming a wide range of events and activities that celebrate and protect the Mississippi.

Additional details about Friends of the Mississippi River's work are available at www.fmr.org.

Friends of the Mississippi River was organized in the State of Minnesota and is exempt from income taxes under section 501(c)3 of the Internal Revenue Code.

Friends of the Mississippi River has been reviewed by the Charities Review Council of Minnesota, and we have met all their accountability standards. Their review is available for public viewing at their web site.

FRIENDS OF THE MISSISSIPPI RIVER
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to United States generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Contract Support and Revenue

The Organization's revenues include many grant, fee and contract funded program activities that require specific program accomplishments and reporting. Substantially, all governmental revenue is arranged under service contracts. Contracts are also used for some foundation or private services. Most contracts have a duration of performance of twelve months or less. For contract requirements outside the Organization's capacity, work is subcontracted to unrelated nonprofit or commercial providers of services. During the current year, most subcontracted services were for landscaping, land restoration and land management planning in critical habitat areas. Contracts are normally billed as work progresses and revenues are recognized as billings are made.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Support, Receivables and Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. The Organization reports gifts of cash and other assets as unrestricted support, unless donor stipulations limit the use of donated assets. When a donor restriction expires, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At December 31, 2009 and 2008, \$980,199 and \$846,597 had been temporarily restricted. Cash available at December 31, 2009 and 2008 for temporarily restricted purposes was \$582,494 and \$629,739.

Allocation of Expenses

Expenses which are related to a specific program or supporting service are charged directly to that expense category. Other expenses are allocated on the basis of time allocation studies and the best estimate of management.

Donated Goods and Services

Donated supplies and equipment are reflected as contributions in the accompanying statements at their estimated fair market value, if determinable, at the date of receipt. Many individuals have donated time and services to advance the Organization's program and objectives. In 2009, 2,987 volunteers donated 8,478 hours and 3,058 volunteers donated 11,248 hours in 2008. The value of these services has not been recorded in the financial statements because they do not meet the definition for recognition under United States generally accepted accounting principles.

Property and Equipment and Depreciation

Expenditures for property and equipment are capitalized at cost. The fair market value of donated furniture and equipment is similarly capitalized. Depreciation is provided over three to seven years using the straight-line and accelerated methods.

FRIENDS OF THE MISSISSIPPI RIVER
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of Credit Risk

The Organization maintains its cash balances in a financial institution that is insured by the Federal Deposit Insurance Corporation (FDIC). Cash balances may periodically exceed the insured limit.

Investments

The Organization has a Vanguard Prime Money Market fund account in the amount of \$341,640 in 2009 and \$339,833 in 2008. The account pays interest monthly which is reinvested in the account. The account is not insured by the FDIC.

Date of Management's Review

Subsequent events were evaluated through May 24, 2010, which is the date the financial statements were available to be issued.

Reclassification

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation.

NOTE 3 - OPERATING LEASE

In 2006 the Organization entered into a five year lease agreement for office space. The fixed rent is \$4,948 per month to June, 2011. The Organization also periodically rents equipment for special events. Rent expense for the years ended December 31, 2009 and 2008 was \$88,164 and \$77,292. Future minimum lease commitments are: 2010 - \$59,376 and 2011 - \$29,687.

NOTE 4 - RETIREMENT PLAN

The Organization has a 403(b) savings plan for all qualifying employees. The Organization does not contribute to the plan.

NOTE 5 - LINE OF CREDIT LOAN

The Organization has a revolving line of credit agreement with a financial institution on which it may borrow up to \$30,000. There was no outstanding balance at December 31, 2009 or 2008.

NOTE 6 - CHANGE IN NET ASSETS

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|----------------------|---------------------|-----------------------------------|---------------------|
| December 31, 2007 | \$ 166,450 | \$ 513,522 | \$ 679,972 |
| Change in net assets | <u>(55,568)</u> | <u>333,075</u> | <u>277,507</u> |
| December 31, 2008 | 110,882 | 846,597 | 957,479 |
| Change in net assets | <u>15,870</u> | <u>133,602</u> | <u>149,472</u> |
| December 31, 2009 | <u>\$ 126,752</u> | <u>\$ 980,199</u> | <u>\$ 1,106,951</u> |

FRIENDS OF THE MISSISSIPPI RIVER
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

| | <u>2009</u> | <u>2008</u> |
|--|-------------------|-------------------|
| Future Pine Bend SNA Restoration (Malcolm Trust) | \$ 83,545 | \$ 84,181 |
| Pine Bend Bluffs | - | 15,845 |
| Land Conservation | 20,885 | - |
| 3M Washington County Outreach | - | 4,443 |
| River Corridor Stewardship | 10,000 | - |
| Vermillion Stewards | - | 6,500 |
| Capital Campaign | 589,754 | 260,752 |
| Operating Support | <u>276,015</u> | <u>474,876</u> |
| Total | <u>\$ 980,199</u> | <u>\$ 846,597</u> |

Net assets released from restrictions during the year were comprised of the following:

| | <u>2009</u> | <u>2008</u> |
|---|-------------------|-------------------|
| Land Conservation | \$ 70,615 | - |
| Pine Bend SNA Restoration (Malcolm Trust) | 637 | 40,592 |
| Vermillion Stewards | 6,500 | 2,500 |
| River Corridor Stewardship | 15,000 | - |
| State of the Watershed Video | - | 10,000 |
| Pine Bend Bluffs | 15,845 | 109,355 |
| Feasibility study | - | 12,500 |
| 3M Washington County Outreach | 4,443 | 10,555 |
| Capital Campaign | 21,583 | 49,248 |
| Operating Support | <u>332,375</u> | <u>266,375</u> |
| Total | <u>\$ 466,998</u> | <u>\$ 501,125</u> |

NOTE 8 - RESTRICTED INVESTMENTS

In November 2003, the Organization received \$202,000 from the estate of Dwight Malcolm, which was restricted for restoration and enhancement of natural areas on the 50-acre portion of the Pine Bend Bluffs Scientific and Natural Area that was formerly the Malcolm property. The Organization is required to maintain the unspent portion of this contribution in a special purpose restricted gift fund. All investment income generated by the unspent restrict funds becomes part of the principal. At December 31, 2009 and 2008 the restricted funds were invested in mutual funds. During 2009 and 2008, \$7,640 and \$7,450 were respectively released from restriction in accordance with the restoration and enhancement plan. In 2009 the Organization has used operating funds to pay these expenditures and will be reimbursed by the restricted investments in 2010. In accordance with the donor agreement, in 2008 an additional \$33,142 was released from restriction due to an unrealized loss on the investment in which the restricted funds are held.

FRIENDS OF THE MISSISSIPPI RIVER
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable consist of the following:

| | 2009 | 2008 |
|--------------------|------------|------------|
| Operating support | \$ 269,179 | 250,000 |
| Capital campaign | 331,475 | - |
| Total | \$ 600,654 | \$ 250,000 |
| Amounts due in: | | |
| Less than one year | \$ 340,239 | |
| One to five years | 260,415 | |
| Total | \$ 600,654 | |

Pledges and grants receivable due in more than one year are recognized at fair value. No discounted value was used for future amounts.

NOTE 10 - LONG-TERM DEBT

In August 2006 the Organization entered into a note payable agreement for \$29,763 for certain tenant improvements. The note payable is due in monthly installments of \$468 including interest of 8.5 percent through March 2012. At December 31, 2009 the balance of the note payable was \$10,842. Maturities of long-term debt are as follows: 2010 - \$4,459; 2011 - \$5,276; and 2012 - \$1,107.

NOTE 11 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims including amounts already collected may constitute a liability of the applicable funds. At December 31, 2009, the Organization has complied with all restrictions on resources and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.

NOTE 12 - CAPITAL CAMPAIGN

In 2008 the Organization launched a capital campaign to accelerate protection and restoration of key natural areas along the river and its tributaries in the Twin Cities area.

The Organization seeks to raise approximately \$3.6 million in private contributions as part of a public/private partnership that would leverage more than \$9,000,000 in additional public funds for land protection and restoration over the next five years. The Organization raised \$350,575 in 2009 and \$310,000 in 2008 for the capital campaign.

FRIENDS OF THE MISSISSIPPI RIVER
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - FAIR VALUE MEASUREMENTS

The Organization's investments and restricted investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

| | <u>Fair Value</u> | <u>Fair Value Measurements Using:</u> Quoted Prices in Active Markets for Identical Assets (Level 1) |
|---------------------------------------|-------------------|---|
| <u>December 31, 2009</u> | | |
| Restricted investments - mutual funds | \$ 83,545 | \$ 83,545 |
| Investments - money market funds | 341,640 | 341,640 |
| - mutual funds | <u>7,640</u> | <u>7,640</u> |
| | <u>349,280</u> | <u>349,280</u> |
| Total | <u>\$ 432,825</u> | <u>\$ 432,825</u> |
| <u>December 31, 2008</u> | | |
| Restricted investments - mutual funds | \$ 84,181 | \$ 84,181 |
| Investments - money market funds | <u>339,833</u> | <u>339,833</u> |
| Total | <u>\$ 424,014</u> | <u>\$ 424,014</u> |

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. There is no level 2 or level 3 inputs.

Level 1 Fair Value Measurements

The fair value of mutual funds is based on quoted net asset values of the shares held by the Organization at year-end. The fair values of common stocks, corporate bonds, and U. S. Government securities are based on the closing price reported on the active market where the individual securities are traded.