CONSORTIUM FOR RESEARCH ON RENEWABLE INDUSTRIAL MATERIALS

FINANCIAL STATEMENTS

For the Four Years Ended
June 30, 2008
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Consortium for Research on Renewable Industrial Materials
PO Box 352100
Seattle, WA 98195

I have audited the accompanying statement of financial position of Consortium for Research on Renewable Industrial Materials (a nonprofit corporation) as of June 30, 2008, and the related statements of activities and cash flows for the four years then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Consortium for Research on Renewable Industrial Materials as of June 30, 2008, and the changes in its net assets and its cash flows for the four years then ended in conformity with accounting principles generally accepted in the United States of America.

DAVIS ACCOUNTING TAX & AUDITING SERVICES
Olympia, Washington
September 22, 2008
### ASSETS

Current Assets:
- Cash & cash equivalents: $211,097
- Prepaid membership dues: $9,760

Total Current Assets: $220,857

### LIABILITIES & NET ASSETS

Current Liabilities:
- Accounts Payable: $29,444

Total Current Liabilities: $29,444

Commitments (See notes to the financial statements)

Unrestricted net assets: 191,413

Total Net Assets: 191,413

Total Liabilities & Net Assets: $220,857
CONSORTIUM FOR RESEARCH ON RENEWABLE INDUSTRIAL MATERIALS
STATEMENT OF ACTIVITIES
For the Four Years Ending June 30, 2008

Changes in Unrestricted Net Assets:
Revenues & Support:
  Government grants $ 400,000
  Contributions from industry organizations 285,000
  Member contributions from educational institutions 15,000
  Less uncollectible Industry pledges (27,000)
  Investment income 18,535
  Total Unrestricted Revenues & Support (691,535)
  Net assets released from restrictions 52,782
  Total Increases in Unrestricted Net Assets 744,317

Functional Expenses
  Program expenses 531,347
  General & administrative expenses 96,031
  Fundraising expenses 5,583
  Total Functional Expenses 632,961

  Change in Unrestricted Net Assets 111,356

Changes in Temporarily Restricted Net Assets:
  Temporarily restricted government grants (52,782)
  Change in Temporarily Restricted Net Assets (52,782)

Change in Total Net Assets:
  Change in Net Assets 58,574
  Net Assets at Beginning of Period 132,839

  Net Assets at End of Period $ 191,413

The accompanying notes are an integral part of these financial statements.
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CONSORTIUM FOR RESEARCH ON RENEWABLE INDUSTRIAL MATERIALS
STATEMENT OF CASH FLOWS
For the Four Years Ended June 30, 2008

Cash flow from operating activities:
- Cash received from industry contributors $ 258,000
- Cash received from government contributors 479,000
- Cash received from educational institutional contributors 15,000
- Interest and dividends received 18,535
- Cash paid to educational institutions for research (414,052)
- Cash paid to Individuals for review of research (9,839)
- Cash paid to University for program administration (105,338)
- Cash paid to suppliers (85,071)

Net cash provided (used) by operating activities 156,235

Net increase (decrease) in cash and equivalents 156,235
Cash and equivalents, beginning of period 54,862
Cash and equivalents, end of period $ 211,097

Reconciliation of net income to net cash provided by operating activities
Change in Net Assets $ 58,574
Adjustments to reconcile net income to net cash provided by operating activities:
- (Increase) decrease in grants receivable 79,000
- (Increase) decrease in prepaid expenses (6,010)
- Increase (decrease) in accounts payable 24,671

Total adjustments 97,661

Net cash provided (used) by operating activities $ 156,235

The accompanying notes are an integral part of these financial statements.
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Consortium for Research on Renewable Industrial Materials  
Statement of Functional Expenses  
For the Four Years Ended June 30, 2008

<table>
<thead>
<tr>
<th>Expenses:</th>
<th>Research Programs</th>
<th>General &amp; Administrative</th>
<th>Fund Raising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting &amp; auditing</td>
<td>$</td>
<td>$ 5,538</td>
<td>$</td>
<td>$ 5,538</td>
</tr>
<tr>
<td>Bank charges</td>
<td>-</td>
<td>229</td>
<td>-</td>
<td>229</td>
</tr>
<tr>
<td>Contractual services</td>
<td>-</td>
<td>19,022</td>
<td>-</td>
<td>19,022</td>
</tr>
<tr>
<td>Contractual services - staffing</td>
<td>-</td>
<td>67,787</td>
<td>-</td>
<td>67,787</td>
</tr>
<tr>
<td>Fund raising</td>
<td>-</td>
<td>-</td>
<td>4,600</td>
<td>4,600</td>
</tr>
<tr>
<td>Honorarium &amp; research review</td>
<td>9,839</td>
<td>-</td>
<td>-</td>
<td>9,839</td>
</tr>
<tr>
<td>Meetings</td>
<td>-</td>
<td>2,130</td>
<td>-</td>
<td>2,130</td>
</tr>
<tr>
<td>Memberships</td>
<td>34,317</td>
<td>-</td>
<td>-</td>
<td>34,317</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>40</td>
<td>-</td>
<td>41</td>
</tr>
<tr>
<td>Printing &amp; publication</td>
<td>11,956</td>
<td>-</td>
<td>-</td>
<td>11,956</td>
</tr>
<tr>
<td>Research &amp; consultation</td>
<td>4,096</td>
<td>-</td>
<td>-</td>
<td>4,096</td>
</tr>
<tr>
<td>Research service contracts</td>
<td>438,723</td>
<td>-</td>
<td>-</td>
<td>438,723</td>
</tr>
<tr>
<td>Software</td>
<td>12,960</td>
<td>-</td>
<td>-</td>
<td>12,960</td>
</tr>
<tr>
<td>Supplies &amp; materials</td>
<td>-</td>
<td>317</td>
<td>-</td>
<td>317</td>
</tr>
<tr>
<td>Travel &amp; training</td>
<td>19,455</td>
<td>968</td>
<td>983</td>
<td>21,406</td>
</tr>
<tr>
<td><strong>Total Functional Expenses</strong></td>
<td><strong>$ 531,347</strong></td>
<td><strong>$ 96,031</strong></td>
<td><strong>$ 5,583</strong></td>
<td><strong>$ 632,961</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.  
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NOTE 1 – NATURE OF ACTIVITIES & SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:
Consortium for Research on Renewable Industrial Materials (CORRIM) was incorporated in Washington State as a non-profit research organization whose purpose is to establish, support, and manage research and education programs relating to renewable industrial materials focused on the environmental impact of the production, use, and disposal of wood and other bio-based materials. CORRIM’s operations are directed by the Board of Directors, which is made up of the member research institutions.

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 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.

Basis of Accounting:
The organization presents their financial statements on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when incurred.

Cash & Cash Equivalents:
Cash and cash equivalents consist of cash in banks, and highly liquid money market and mutual funds, which are readily convertible to cash.

Recognition of Donor Restrictions:
All contributions are considered available for unrestricted use, unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

All donor restricted resources received during the four-year period ended June 30, 2008, were utilized for the purpose stipulated by the donor during the period and were therefore, reflected as unrestricted support.

All donor restrictions on resources received in the previous four-year period were met during the current period and were therefore, considered released from their purpose restriction.

There were no restricted resources held at June 30, 2008.
Donated Goods, Services, & Facilities:
Although many of the member institutions and industrial partners may provide research and related items to CORRIM, most of these services are either not primarily for CORRIM’s benefit or cannot be objectively valued. Therefore, no such items have been reflected in the financial statements as gifts-in-kind.

Prepaid expenses:
Prepaid expenses include $6,633 in prepaid support service and license agreements related to software as well as $3,127 in prepaid administrative services paid to the University of Washington under an agreement to provide administrative staffing and supporting services to CORRIM.

Functional Allocation of Expenses:
The cost of providing various programs and other activities has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management’s estimates.

Income Tax Status:
The organization is exempt from income tax under Section 501 (c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the financial statements.

NOTE 2 – CONCENTRATION OF RISK:

Grants & Pledges Receivable:
There were no grants receivable at June 30, 2008

There was $27,000 of unrestricted pledges receivable from three corporations operating in the forest products industry at year-end. All three pledges were significantly past-due and were deemed uncollectible at June 30, 2008.

Cash & Cash equivalents:
At June 30, 2008, CORRIM's cash equivalents held in Banc of America Investment Services, Inc. totaled $195,216, which was above the Securities Investor Protection Corporations (SIPC) insured amount of $100,000 for cash deposits.

Revenues & Support:
Approximately 95% of CORRIM’s support was received either through a grant from U.S. Department of Agriculture, Forest Service ($400,000) or from corporate donors operating within the forest products industry ($285,000).
NOTE 3 – COMMITMENTS:

CORRIM has several outstanding commitments with educational institutions and other research partners related to the completion of phase II of the current research project. Although most of the phase II contracts have expired or been completed as of June 30, 2008, four contracts, with outstanding commitments of $37,495, remained in progress at that date as follows:

<table>
<thead>
<tr>
<th>Contractor</th>
<th>Contract Amount</th>
<th>Paid To-Date</th>
<th>Payable at 6/30/08</th>
<th>Remaining Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Athena</td>
<td>$ 83,672</td>
<td>$ 69,172</td>
<td>$ - 0 -</td>
<td>$ 14,500</td>
</tr>
<tr>
<td>Sustainable Wood Technologies, LLC</td>
<td>70,000</td>
<td>42,000</td>
<td>22,000</td>
<td>6,000</td>
</tr>
<tr>
<td>University of Washington</td>
<td>107,500</td>
<td>98,899</td>
<td>5,294</td>
<td>3,307</td>
</tr>
<tr>
<td>Maureen Puettmann</td>
<td>18,000</td>
<td>2,162</td>
<td>2,150</td>
<td>13,688</td>
</tr>
<tr>
<td></td>
<td>$ 279,172</td>
<td>$ 212,233</td>
<td>$ 29,444</td>
<td>$ 37,495</td>
</tr>
</tbody>
</table>