

**CONSORTIUM FOR RESEARCH ON
RENEWABLE INDUSTRIAL MATERIALS**

FINANCIAL STATEMENTS

**For the Four Years Ended
June 30, 2004**

**CONSORTIUM FOR RESEARCH ON
RENEWABLE INDUSTRIAL MATERIALS
For the Four Years Ended June 30, 2004**

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GEORGE FOX, CPA
2109 N. 27 St.
Tacoma, WA 98403

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, 2004, 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, 2004, 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.

(Signature on file)

George Fox, CPA
Olympia, Washington
August 31, 2004

CONSORTIUM FOR RESEARCH ON RENEWABLE INDUSTRIAL MATIERALS
STATEMENT OF FINANCIAL POSITION
June 30, 2004

ASSETS

Current Assets:	
Cash & cash equivalents	\$ 54,862
Grants and pledges receivable	79,000
Prepaid membership dues	3,750

Total Current Assets	\$ 137,612
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LIABILITIES & NET ASSETS

Current Liabilities:	
Accounts Payable	\$ 4,773

Total Current Liabilities	4,773

Commitments (See notes to the financial statements)	
Unrestricted net assets	80,057
Temporarily restricted net assets - purpose restriction	52,782

Total Net Assets	132,839

Total Liabilities & Net Assets	\$ 137,612
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The accompanying notes are an integral part of these financial statements.

CONSORTIUM FOR RESEARCH ON RENEWABLE INDUSTRIAL MATIERALS
STATEMENT OF ACTIVITIES
For the Four Years Ending June 30, 2004

Changes in Unrestricted Net Assets:

Revenues & Support:

Government grants	\$	263,218
Contributions from industry organizations		410,000
Member contributions from educational institutions		10,000
Less uncollectible Industry pledges		(82,500)
Interest earnings		10,819

Total Unrestricted Revenues & Support		611,537
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Functional Expenses

Program expenses		507,259
General & administrative expenses		62,820

Total Functional Expenses		570,079
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Increase in Unrestricted Net Assets		41,458
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Changes in Temporarily Restricted Net Assets:

Temporarily restricted government grants		52,782
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Increase in Temporarily Restricted Net Assets		52,782
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Change in Total Net Assets:

Increase in Net Assets		94,240
Net Assets at Beginning of Period		38,599

Net Assets at End of Period		\$ 132,839
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The accompanying notes are an integral part of these financial statements.

CONSORTIUM FOR RESEARCH ON RENEWABLE INDUSTRIAL MATIERALS
STATEMENT OF CASH FLOWS
For the Four Years Ended June 30, 2004

Cash flow from operating activities:	
Cash received from industry contributors	\$ 327,500
Cash received from government contributors	262,000
Cash received from educational institutional contributors	10,000
Interest and dividends received	10,819
Cash paid to educational institutions for research	(366,394)
Cash paid to Individuals for review of research	(13,774)
Cash paid to University for program administration	(42,486)
Cash paid to suppliers	(161,666)

Net cash provided (used) by operating activities	25,999

Net increase (decrease) in cash and equivalents	25,999
Cash and equivalents, beginning of period	28,863

Cash and equivalents, end of period	\$ 54,862
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Reconciliation of net income to net cash provided by operating activities	
Net Income	\$ 94,240

Adjustments to reconcile net income to net cash provided by operating activities:	
(Increase) decrease in grants receivable	(54,000)
Increase (decrease) in accounts payable	(14,241)

Total adjustments	(68,241)

Net cash provided (used) by operating activities	\$ 25,999
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The accompanying notes are an integral part of these financial statements.

CONSORTIUM FOR RESEARCH ON RENEWABLE INDUSTRIAL MATERIALS
STATEMENT OF FUNCTIONAL EXPENSES
For the Four Years Ended 2004

	<u>Total</u>	<u>Research Programs</u>	<u>Administration</u>
Program expenses			
Administration	\$ 42,486	\$ 0	\$ 42,486
Accounting	19,776	0	19,776
Bank charges	68	0	68
Freight	77	77	0
Honorarium & research review	13,774	13,774	0
Licenses & permits	490	0	490
Membership	37,500	37,500	0
Publications	2,799	2,799	0
Research service contracts	366,394	366,394	0
Software	30,386	30,386	0
Telephone	115	115	0
Travel	52,733	52,733	0
Other	3,481	3,481	0
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Total Functional Expenses	\$ 570,079	\$ 507,259	\$ 62,820
	=====	=====	=====

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

CONSORTIUM FOR RESEARCH ON
RENEWABLE INDUSTRIAL MATERIALS
NOTES TO FINANCIAL STATEMENTS
For the Four Years Ended June 30, 2004

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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 a gift in-kind.

These notes are an integral part of these financial statements.

CONSORTIUM FOR RESEARCH ON
RENEWABLE INDUSTRIAL MATERIALS
NOTES TO FINANCIAL STATEMENTS
For the Four Years Ended June 30, 2004

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.

Cash & Cash Equivalents:

Cash and cash equivalents consist of cash on hand, checking accounts and money market accounts.

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 – Grants and Pledges Receivable/Temporarily Restricted Net Assets:

Grants and pledges receivable at June 30, 2004 represents awards from the United States Department of Agriculture (USDA), Forest Service under a joint venture agreement ending December 31, 2004. According to the terms of the agreement, CORRIM is to develop a mutually acceptable study plan and take a lead role in the execution of research work. USDA is to reimburse CORRIM at a rate of 83.33% of actual expenses up to a maximum reimbursement of \$79,000 reduced by program income and other federal and nonfederal cash contributions.

\$26,218 of applicable costs had been incurred under the agreement as of June 30, 2004. Therefore, this amount was treated as unrestricted while the balance of the grant is subject to purpose restrictions and has been treated as temporarily restricted net assets on the statement of financial position and the statement of activities.

NOTE 3 – COMMITMENTS:

CORRIM had an agreement with an independent contractor to provide research review services related to phase II of the current research project. These services have not been rendered as of June 30, 2004 and are therefore not yet reflected as a liability nor an expense. The total commitment related to these services is \$5,774.

These notes are an integral part of these financial statements.

