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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047

2011

Open to Public Inspection

A For the 2011 calendar year, or tax year beginning 01-01-2011 and ending 12-31-2011

B Check if applicable
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
Wallowa Resources

Doing Business As

Number and street (or P O box if mail is not delivered to street address) | Room/suite
401 NE First Suite A

City or town, state or country, and ZIP + 4
Enterprise, OR 97828

D Employer identification number
91-1794627

E Telephone number
(541) 426-8053

G Gross receipts $ 1,928,391

F Name and address of principal officer
Nils Christoffersen
82124 Black Marble Lane
Enterprise, OR 97828

H(a) Is this a group return for affiliates? ☐ Yes ☑ No

H(b) **Are all affiliates included?** ☐ Yes ☑ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status ☑ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no) ☐ 4947(a)(1) or ☐ 527

J **Website:** ▶ N/A

K Form of organization ☑ Corporation ☐ Trust ☐ Association ☐ Other ▶ | L Year of formation 1996 | M State of legal domicile OR

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities
The purpose of this organization is to promote watershed health, stabilize and strengthen the natural resource based economy, and broaden community understanding of the ties between environmental health and community health of Wallowa County, Oregon

2 Check this box ▶☐ if the organization discontinued its operations or disposed of more than 25% of its net assets

3	Number of voting members of the governing body (Part VI, line 1a)	3	13
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	12
5	Total number of individuals employed in calendar year 2011 (Part V, line 2a)	5	25
6	Total number of volunteers (estimate if necessary)	6	
7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	0
b	Net unrelated business taxable income from Form 990-T, line 34	7b	

			Prior Year	Current Year
Revenue	8	Contributions and grants (Part VIII, line 1h)	1,947,896	1,369,664
	9	Program service revenue (Part VIII, line 2g)	107,148	132,273
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	-1,427	304
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-62,472	203,124
	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	1,991,145	1,705,365
Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)		5,000
	14	Benefits paid to or for members (Part IX, column (A), line 4)		0
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	480,854	576,554
	16a	Professional fundraising fees (Part IX, column (A), line 11e)		0
	b	Total fundraising expenses (Part IX, column (D), line 25) ▶0		
	17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	774,664	675,974
	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	1,255,518	1,257,528
	19	Revenue less expenses Subtract line 18 from line 12	735,627	447,837

			Beginning of Current Year	End of Year
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	1,447,039	1,899,596
	21	Total liabilities (Part X, line 26)	641,808	646,528
	22	Net assets or fund balances Subtract line 21 from line 20	805,231	1,253,068

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

****** | 2012-09-14
Signature of officer | Date

Myron Kirkpatrick CFO
Type or print name and title

Paid Preparer's Use Only

Preparer's signature	Date	Check if self-employed ▶ ☐	Preparer's taxpayer identification number (see instructions)
Robert P Seymour			

Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ Guyer and Associates CPAs
2790 Main Street
Baker City, OR 97814

EIN ▶

Phone no ▶ (541) 523-4471

May the IRS discuss this return with the preparer shown above? (see instructions) ☑ Yes ☐ No

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III . . . . ☐

1 Briefly describe the organization's mission

The purpose of this organization is to promote watershed health, stabilize and strengthen the natural resource based economy, and broaden community understanding of the ties between environmental health and community health of Wallowa County, Oregon

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . ☐ **Yes** ☑ **No**

If "Yes," describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . ☐ **Yes** ☑ **No**

If "Yes," describe these changes on Schedule O

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code) (Expenses $ 503,208 including grants of $) (Revenue $ 70,627)

FIELD ACTIVITIES - Wallowa Resources has the mission to protect the ecological and economic values of lands and rivers in and around Wallowa County from invasion and degradation by noxious weeds The organization also works to provide land owners and managers with the resources to maximize economic return and well being of the land

4b (Code) (Expenses $ 241,205 including grants of $ 5,000) (Revenue $ 248,953)

Special Initiatives - Wallowa Resources is currently involved in bridging the urban-rural gap, promoting new businesses that provide job opportunities, restoring the environment and habitat of streams and rivers and working with businesses to preserve the forest areas in and around the immediate lands of Wallowa County, Oregon

4c (Code) (Expenses $ 164,071 including grants of $) (Revenue $ 30,810)

OUTREACH AND EDUCATION - Wallowa Resources is involved in promoting healthy lands and communities through knowledge, research, and exploration The organization works with people of all ages to connect hands-on with the rivers, mountains, and forests, in hopes of invoking a sense of stewardship for Wallowa County

4d Other program services (Describe in Schedule O)

(Expenses $ including grants of $) (Revenue $)

4e **Total program service expenses** ▶$ 908,484

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	Yes	
2	Is the organization required to complete *Schedule B, Schedule of Contributors* (see instructions)?	2	Yes	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		No
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? *If "Yes," complete Schedule C, Part II*	4		No
5	Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? *If "Yes," complete Schedule C, Part III*	5		No
6	Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		No
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? *If "Yes," complete Schedule D, Part II*	7		No
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		No
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		No
10	Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		No
11	If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable			
a	Did the organization report an amount for land, buildings, and equipment in Part X, line10? *If "Yes," complete Schedule D, Part VI.*	11a	Yes	
b	Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VII.*	11b		No
c	Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part VIII.*	11c	Yes	
d	Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? *If "Yes," complete Schedule D, Part IX.*	11d		No
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X.*	11e		No
f	Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? *If "Yes," complete Schedule D, Part X.*	11f		No
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12a		No
b	Was the organization included in consolidated, independent audited financial statements for the tax year? *If "Yes," and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional*	12b	Yes	
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		No
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		No
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at $100,000 or more? *If "Yes," complete Schedule F, Part I*	14b		No
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the U S ? *If "Yes," complete Schedule F, Part II and IV*	15		No
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the U S ? *If "Yes," complete Schedule F, Part III and IV*	16		No
17	Did the organization report a total of more than $15,000, of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? *If "Yes," complete Schedule G, Part I*	17		No
18	Did the organization report more than $15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		No
19	Did the organization report more than $15,000 of gross income from gaming activities on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		No
20a	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20a		No
b	If "Yes" to line 20a, did the organization attach its audited financial statement to this return? **Note.** All Form 990 filers that operated one or more hospitals must attach audited financial statements	20b		

Part IV Checklist of Required Schedules *(continued)*

				Yes	No
21	Did the organization report more than $5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21			No
22	Did the organization report more than $5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	22			No
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5, about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? *If "Yes," complete Schedule J*	23			No
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer questions 24b–24d and complete Schedule K. If "No," go to line 25*	24a			No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b			No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c			No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d			No
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	25a			No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? *If "Yes," complete Schedule L, Part I*	25b			No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	26		Yes	
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	27			No
28	Was the organization a party to a business transaction with one of the following parties? (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)				
a	A current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28a			No
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28b			No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or owner? *If "Yes," complete Schedule L, Part IV*	28c		Yes	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29			No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30			No
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31			No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	32			No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301 7701-2 and 301 7701-3? *If "Yes," complete Schedule R, Part I*	33		Yes	
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	34		Yes	
35a	Is any related organization a controlled entity of the filing organization within the meaning of section 512(b)(13)?	35a		Yes	
b	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	35b		Yes	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	36			No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	37			No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? **Note.** All Form 990 filers are required to complete Schedule O	38		Yes	

Part V **Statements Regarding Other IRS Filings and Tax Compliance**

Check if Schedule O contains a response to any question in this Part V . . . . ☐

					Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a	36			
b	Enter the number of Forms W-2G included in line 1a *Enter -0-* if not applicable	1b	0			
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?			1c		No
2a	Enter the number of employees reported on Form W-3, *Transmittal of Wage and Tax Statements* filed for the calendar year ending with or within the year covered by this return	2a	25			
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?			2b	Yes	
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)					
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?			3a		No
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*			3b		No
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account)?			4a		No
b	If "Yes," enter the name of the foreign country ▶ See instructions for filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts					
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?			5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?			5b		No
c	If "Yes" to line 5a or 5b, did the organization file Form 8886-T?			5c		No
6a	Does the organization have annual gross receipts that are normally greater than $100,000, and did the organization solicit any contributions that were not tax deductible?			6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			6b		No
7	**Organizations that may receive deductible contributions under section 170(c).**					
a	Did the organization receive a payment in excess of $75 made partly as a contribution and partly for goods and services provided to the payor?			7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?			7b		No
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?			7c		No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d	0			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?			7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?			7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?			7g		No
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?			7h		No
8	**Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?			8		No
9	**Sponsoring organizations maintaining donor advised funds.**					
a	Did the organization make any taxable distributions under section 4966?			9a		No
b	Did the organization make a distribution to a donor, donor advisor, or related person?			9b		No
10	**Section 501(c)(7) organizations.** Enter					
a	Initiation fees and capital contributions included on Part VIII, line 12	10a				
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b				
11	**Section 501(c)(12) organizations.** Enter					
a	Gross income from members or shareholders	11a				
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b				
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?			12a		No
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b				
13	**Section 501(c)(29) qualified nonprofit health insurance issuers.**					
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** All 501(c)(29) organizations must list in Schedule O each state in which they are licensed to issue qualified health plans, the amount of reserves required by each state, and the amount of reserves the organization allocated to each state			13a		No
b	Enter the aggregate amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b				
c	Enter the aggregate amount of reserves on hand	13c				
14a	Did the organization receive any payments for indoor tanning services during the tax year?			14a		No
b	If "Yes," has it filed a Form 720 to report these payments? *If "No," provide an explanation in Schedule O*			14b		No

Part VI **Governance, Management, and Disclosure** For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI . . . . ☑

Section A. Governing Body and Management

				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a 13			
b	Enter the number of voting members included in line 1a, above, who are independent	1b 12			
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		2	Yes	
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?		3		No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		4		No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		5		No
6	Did the organization have members or stockholders?		6		No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		7a		No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following				
a	The governing body?		8a	Yes	
b	Each committee with authority to act on behalf of the governing body?		8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		9		No

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b		No
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review the Form 990			
12a	Did the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	Yes	
b	Were officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b		No
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes	
13	Did the organization have a written whistleblower policy?	13		No
14	Did the organization have a written document retention and destruction policy?	14		No
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a		No
b	Other officers or key employees of the organization	15b		No
	If "Yes," to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		No
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b		No

Section C. Disclosure

17 List the States with which a copy of this Form 990 is required to be filed ▶OR

18 Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection Indicate how you made these available Check all that apply

☐ Own website ☐ Another's website ☑ Upon request

19 Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public See Additional Data Table

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶

Myron Kirkpatrick
401 NE First Suite A
Enterprise, OR 97828
(541) 426-8053

Part VII **Compensation of Officers, Directors,Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors**

Check if Schedule O contains a response to any question in this Part VII . . . .

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid
- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations
- List all of the organization's **former** officers, key employees, or highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

Check this box if neither the organization nor any related organizations compensated any current or former officer, director, or trustee

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee): Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
(1) Gerry McLain Director	2 00	X						0	0	0
(2) Joe McCormack Director	2 00	X						0	0	0
(3) Peter Ferre Director	2 00	X						0	0	0
(4) James Henson Chairman	2 00	X						0	0	0
(5) Doug McDaniel Director	2 00	X						0	0	0
(6) Mike Hayward Director	2 00	X						0	0	0
(7) Brad Stephens Director	2 00	X						0	0	0
(8) Jim Zacharias Director	2 00	X						0	0	0
(9) Larry Nall Director	2 00	X						0	0	0
(10) Gail Hammack Vice Chair	2 00	X						0	0	0
(11) Kelly Birkmaier Director	2 00	X						0	0	0
(12) David Schmidt Director	2 00	X						0	0	0
(13) Liza Nichols Director	2 00	X						0	0	0
(14) Myron Kirkpatrick Treasurer	40 00			X				37,928	22,130	1,891
(15) Nils Christoffersen Executive Dir	40 00			X				67,704	0	8,548

Part VII **Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees** (continued)

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee): Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former	(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations

		(D)	(E)	(F)
1b	Sub-Total ▶			
c	Total from continuation sheets to Part VII, Section A ▶			
d	Total (add lines 1b and 1c) ▶	105,632	22,130	10,439

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶0

			Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	3		No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *If "Yes," complete Schedule J for such individual*	4		No
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? *If "Yes," complete Schedule J for such person*	5		No

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization Report compensation for the calendar year ending with or within the organization's tax year

(A) Name and business address	(B) Description of services	(C) Compensation

2 Total number of independent contractors (including but not limited to those listed above) who received more than $100,000 of compensation from the organization ▶0

Part VIII Statement of Revenue

Section	Line	Description		(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a	Federated campaigns . . 1a					
	b	Membership dues 1b					
	c	Fundraising events 1c	1,400				
	d	Related organizations . . . 1d					
	e	Government grants (contributions) 1e	1,005,965				
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	362,299				
	g	Noncash contributions included in lines 1a-1f $					
	h	**Total.** Add lines 1a-1f . . . . ▶		1,369,664			
Program Service Revenue			Business Code				
	2a	Other Program Income		30,836	30,836		
	b	Educational Programs		30,810	30,810		
	c	Contracted Programs		70,627	70,627		
	d						
	e						
	f	All other program service revenue					
	g	**Total.** Add lines 2a–2f . . . . ▶		132,273			
Other Revenue	3	Investment income (including dividends, interest and other similar amounts) . . . . . ▶		274			274
	4	Income from investment of tax-exempt bond proceeds . . ▶		0			
	5	Royalties . . . . ▶		0			

Line	Description	(i) Real	(ii) Personal
6a	Gross rents	198,185	
b	Less rental expenses	218,852	
c	Rental income or (loss)	-20,667	

Line	Description	(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
6d	Net rental income or (loss) . . . . ▶	-20,667	-20,667		

Line	Description	(i) Securities	(ii) Other
7a	Gross amount from sales of assets other than inventory	30	
b	Less cost or other basis and sales expenses		
c	Gain or (loss)	30	

Line	Description		(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
7d	Net gain or (loss) . . . . ▶		30			30
8a	Gross income from fundraising events (not including $ 1,400 of contributions reported on line 1c) See Part IV, line 18 . . . a	9,848				
b	Less direct expenses . . . b	4,174				
c	Net income or (loss) from fundraising events . . ▶		5,674			5,674
9a	Gross income from gaming activities See Part IV, line 19 . . . a					
b	Less direct expenses . . . b					
c	Net income or (loss) from gaming activities . . . ▶		0			
10a	Gross sales of inventory, less returns and allowances . a					
b	Less cost of goods sold . . b					
c	Net income or (loss) from sales of inventory . . ▶		0			
	Miscellaneous Revenue	Business Code				
11a	Income of Subsidiary		218,117	218,117		
b						
c						
d	All other revenue					
e	**Total.** Add lines 11a–11d . . . . . . ▶		218,117			
12	**Total revenue.** See Instructions . . . ▶		1,705,365	329,723		5,978

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)
Check if Schedule O contains a response to any question in this Part IX . . . . ☐

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the United States See Part IV, line 21	5,000	5,000		
2 Grants and other assistance to individuals in the United States See Part IV, line 22	0			
3 Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16	0			
4 Benefits paid to or for members	0			
5 Compensation of current officers, directors, trustees, and key employees	105,632	78,379	27,253	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	21,643	21,643		
7 Other salaries and wages	351,735	261,004	90,731	
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)	15,680	11,651	4,029	
9 Other employee benefits	41,616	30,895	10,721	
10 Payroll taxes	40,248	29,880	10,368	
11 Fees for services (non-employees)				
a Management	0			
b Legal	0			
c Accounting	0			
d Lobbying	0			
e Professional fundraising *See Part IV, line 17* . .	0			
f Investment management fees	0			
g Other	0			
12 Advertising and promotion	1,334		1,334	
13 Office expenses	4,497		4,497	
14 Information technology	0			
15 Royalties . .	0			
16 Occupancy	68,013		68,013	
17 Travel	19,412	19,165	247	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0			
19 Conferences, conventions, and meetings	211		211	
20 Interest	15,916		15,916	
21 Payments to affiliates	0			
22 Depreciation, depletion, and amortization	46,453		46,453	
23 Insurance	26,972		26,972	
24 Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24f If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O)				
a Software Support	4,024		4,024	
b Project Supplies	106,227	106,227		
c Misc Business Expenses	10,429	8,802	1,627	
d Indirect Expenses	18,334		18,334	
e Consultants and Contractors	349,908	335,838	14,070	
f All other expenses	4,244		4,244	
25 **Total functional expenses.** Add lines 1 through 24f	1,257,528	908,484	349,044	0
26 **Joint costs.** Check here ▶ ☐ if following SOP 98-2 (ASC 958-720) Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

				(A) Beginning of year		(B) End of year
Assets	1	Cash—non-interest-bearing		4,317	1	12,865
	2	Savings and temporary cash investments		85,013	2	14,751
	3	Pledges and grants receivable, net			3	0
	4	Accounts receivable, net		169,137	4	121,261
	5	Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	0
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) Complete Part II of Schedule L			6	0
	7	Notes and loans receivable, net			7	2,000
	8	Inventories for sale or use			8	0
	9	Prepaid expenses and deferred charges		1,321	9	15,408
	10a	Land, buildings, and equipment cost or other basis *Complete Part VI of Schedule D*	10a 1,461,975			
	b	Less accumulated depreciation	10b 324,626	1,168,701	10c	1,137,349
	11	Investments—publicly traded securities		1,763	11	1,799
	12	Investments—other securities See Part IV, line 11			12	0
	13	Investments—program-related See Part IV, line 11		16,786	13	594,163
	14	Intangible assets			14	0
	15	Other assets See Part IV, line 11		1	15	0
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		1,447,039	16	1,899,596
Liabilities	17	Accounts payable and accrued expenses		186,608	17	136,786
	18	Grants payable			18	
	19	Deferred revenue		165,476	19	146,130
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability *Complete Part IV of Schedule D*			21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons *Complete Part II of Schedule L*			22	150,000
	23	Secured mortgages and notes payable to unrelated third parties		289,724	23	213,612
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D			25	
	26	**Total liabilities.** Add lines 17 through 25		641,808	26	646,528
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ ☑ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		731,626	27	1,161,353
	28	Temporarily restricted net assets		73,605	28	91,715
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117, check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		805,231	33	1,253,068
	34	Total liabilities and net assets/fund balances		1,447,039	34	1,899,596

Part XI Reconcilliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI . . . . ☐

1	Total revenue (must equal Part VIII, column (A), line 12) . . .	1	1,705,365
2	Total expenses (must equal Part IX, column (A), line 25)	2	1,257,528
3	Revenue less expenses Subtract line 2 from line 1	3	447,837
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . .	4	805,231
5	Other changes in net assets or fund balances (explain in Schedule O)	5	
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	1,253,068

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII . . . . ☐

			Yes	No
1	Accounting method used to prepare the Form 990 ☐ Cash ☑ Accrual ☐ Other ____________ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? . .	2a		No
b	Were the organization's financial statements audited by an independent accountant?	2b	Yes	
c	If "Yes," to 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c		No
d	If "Yes" to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both ☐ Separate basis ☑ Consolidated basis ☐ Both consolidated and separated basis			
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a	Yes	
b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits . .	3b	Yes	

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SCHEDULE A (Form 990 or 990EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Wallowa Resources

Employer identification number
91-1794627

Part I **Reason for Public Charity Status** (All organizations must complete this part.) See instructions

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

1 ☐ A church, convention of churches, or association of churches **section 170(b)(1)(A)(i).**

2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E)

3 ☐ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**

4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state

5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)

6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7 ☑ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)** (Complete Part II)

8 ☐ A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II)

9 ☐ An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III)

10 ☐ An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**

11 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a ☐ Type I **b** ☐ Type II **c** ☐ Type III - Functionally integrated **d** ☐ Type III - Other

e ☐ By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)

f If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box ☐

g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

		Yes	No
(i) a person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the the supported organization?	**11g(i)**		
(ii) a family member of a person described in (i) above?	**11g(ii)**		
(iii) a 35% controlled entity of a person described in (i) or (ii) above?	**11g(iii)**		

h Provide the following information about the supported organization(s)

(i) Name of supported organization	**(ii)** EIN	**(iii)** Type of organization (described on lines 1-9 above or IRC section (see instructions))	**(iv)** Is the organization in col (i) listed in your governing document? Yes	No	**(v)** Did you notify the organization in col (i) of your support? Yes	No	**(vi)** Is the organization in col (i) organized in the U S ? Yes	No	**(vii)** Amount of support?
Total									

Part II **Support Schedule for Organizations Described in IRC 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")	810,958	846,330	1,001,798	1,947,896	1,379,512	5,986,494
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						0
3 The value of services or facilities furnished by a governmental unit to the organization without charge						0
4 **Total.** Add lines 1 through 3	810,958	846,330	1,001,798	1,947,896	1,379,512	5,986,494
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						0
6 **Public Support.** Subtract line 5 from line 4						5,986,494

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2007	(b) 2008	(c) 2009	(d) 2010	(e) 2011	(f) Total
7 Amounts from line 4	810,958	846,330	1,001,798	1,947,896	1,379,512	5,986,494
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources	-197	-521	-3,542	-363	304	-4,319
9 Net income from unrelated business activities, whether or not the business is regularly carried on						0
10 Other income (Explain in Part IV) Do not include gain or loss from the sale of capital assets	64,930	-21,967	-27,119	838,024	218,117	1,071,985
11 **Total support** (Add lines 7 through 10)						7,054,160

12 Gross receipts from related activities, etc (See instructions) | 12 |

13 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

14 Public Support Percentage for 2011 (line 6 column (f) divided by line 11 column (f))	14	84 860 %
15 Public Support Percentage for 2010 Schedule A, Part II, line 14	15	86 800 %

16a **33 1/3% support test—2011.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☑

b **33 1/3% support test—2010.** If the organization did not check the box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

17a **10%-facts-and-circumstances test—2011.** If the organization did not check a box on line 13, 16a, or 16b and line 14 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

b **10%-facts-and-circumstances test—2010.** If the organization did not check a box on line 13, 16a, 16b, or 17a and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶☐

18 **Private Foundation** If the organization did not check a box on line 13, 16a, 16b, 17a or 17b, check this box and see instructions ▶☐

Part III **Support Schedule for Organizations Described in IRC 509(a)(2)**
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in)	**(a)** 2007	**(b)** 2008	**(c)** 2009	**(d)** 2010	**(e)** 2011	**(f)** Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants ")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public Support** (Subtract line 7c from line 6)						

Section B. Total Support

Calendar year (or fiscal year beginning in)	**(a)** 2007	**(b)** 2008	**(c)** 2009	**(d)** 2010	**(e)** 2011	**(f)** Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support** (Add lines 9, 10c, 11 and 12)						

14 **First Five Years** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶☐

Section C. Computation of Public Support Percentage

15 Public Support Percentage for 2011 (line 8 column (f) divided by line 13 column (f))	**15**	
16 Public support percentage from 2010 Schedule A, Part III, line 15	**16**	

Section D. Computation of Investment Income Percentage

17 Investment income percentage for **2011** (line 10c column (f) divided by line 13 column (f))	**17**	
18 Investment income percentage from **2010** Schedule A, Part III, line 17	**18**	

19a **33 1/3% support tests—2011.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3% and line 17 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

b **33 1/3% support tests—2010.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶☐

20 **Private Foundation** If the organization did not check a box on line 14, 19a or 19b, check this box and see instructions ▶☐

Part IV **Supplemental Information.** Supplemental Information. Complete this part to provide the explanation required by Part II, line 10; Part II, line 17a or 17b; or Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test
Part II, Line 10--Part II, Section B, line 10 represents income or loss from Wallowa Resources Community Solutions, Inc , a wholly owned subsidiary of Wallowa Resources

Explanation

Additional Data

Software ID: 11000144
Software Version: 2011v1.2
EIN: 91-1794627
Name: Wallowa Resources

Form 990, Special Condition Description:

Special Condition Description

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SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Wallowa Resources

Employer identification number
91-1794627

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit ☐ Yes ☐ No

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply)
- ☐ Preservation of land for public use (e g , recreation or pleasure)
- ☐ Preservation of an historically importantly land area
- ☐ Protection of natural habitat
- ☐ Preservation of a certified historic structure
- ☐ Preservation of open space

2 Complete lines 2a–2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

			Held at the End of the Year
a	Total number of conservation easements	2a	
b	Total acreage restricted by conservation easements	2b	
c	Number of conservation easements on a certified historic structure included in (a)	2c	
d	Number of conservation easements included in (c) acquired after 8/17/06	2d	

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ▶____________

4 Number of states where property subject to conservation easement is located ▶____________

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting and enforcing conservation easements during the year ▶____________

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ $ ____________

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $ ____________

(ii) Assets included in Form 990, Part X ▶ $ ____________

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items

a Revenues included in Form 990, Part VIII, line 1 ▶ $ ____________

b Assets included in Form 990, Part X ▶ $ ____________

Part III **Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets** *(continued)*

3 Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply)

a ☐ Public exhibition

b ☐ Scholarly research

c ☐ Preservation for future generations

d ☐ Loan or exchange programs

e ☐ Other

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV

5 During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ **Yes** ☐ **No**

Part IV **Escrow and Custodial Arrangements.** Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ **Yes** ☐ **No**

b If "Yes," explain the arrangement in Part XIV and complete the following table

			Amount
c	Beginning balance	**1c**	
d	Additions during the year	**1d**	
e	Distributions during the year	**1e**	
f	Ending balance	**1f**	

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ **Yes** ☐ **No**

b If "Yes," explain the arrangement in Part XIV

Part V **Endowment Funds.** Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

		(a) Current Year	**(b)** Prior Year	**(c)** Two Years Back	**(d)** Three Years Back	**(e)** Four Years Back
1a	Beginning of year balance					
b	Contributions					
c	Investment earnings or losses					
d	Grants or scholarships					
e	Other expenditures for facilities and programs					
f	Administrative expenses					
g	End of year balance					

2 Provide the estimated percentage of the year end balance held as

a Board designated or quasi-endowment ►

b Permanent endowment ►

c Term endowment ►

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

			Yes	No
	(i) unrelated organizations	**3a(i)**		
	(ii) related organizations	**3a(ii)**		
b	If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	**3b**		

4 Describe in Part XIV the intended uses of the organization's endowment funds

Part VI **Land, Buildings, and Equipment.** See Form 990, Part X, line 10.

Description of property	**(a)** Cost or other basis (investment)	**(b)** Cost or other basis (other)	**(c)** Accumulated depreciation	**(d)** Book value
1a Land		100,000		100,000
b Buildings		852,627	35,526	817,101
c Leasehold improvements		12,000	1,467	10,533
d Equipment		497,348	287,633	209,715
e Other				
Total. Add lines 1a-1e *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ►				1,137,349

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
Other		
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶		

Part VIII Investments—Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶	594,163	

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
Total. *(Column (b) should equal Form 990, Part X, col.(B) line 15.)* . . . . ▶	

Part X Other Liabilities. See Form 990, Part X, line 25.

1 (a) Description of Liability	(b) Amount
Federal Income Taxes	
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	

2. Fin 48 (ASC 740) Footnote In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC740)

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	
3	Excess or (deficit) for the year Subtract line 2 from line 1	3	
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4 - 8	9	
10	Excess or (deficit) for the year per financial statements Combine lines 3 and 9	10	

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements			1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total Revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12)			5	

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements			1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	
4	Amounts included on Form 990, Part IX, line 25, but not on line **1:**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total expenses Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b Also complete this part to provide any additional information

Identifier	Return Reference	Explanation

Schedule L
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Transactions with Interested Persons

▶ Complete if the organization answered "Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V lines 38a or 40b.
▶ Attach to Form 990 or Form 990-EZ. ▶See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Wallowa Resources

Employer identification number
91-1794627

Part I Excess Benefit Transactions (section 501(c)(3) and section 501 (c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1 (a) Name of disqualified person	(b) Description of transaction	(c) Corrected? Yes	No

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958 . . . . ▶ $

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization . . . . ▶ $

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 26, or Form 990-EZ, Part V, line 38a

(a) Name of interested person and purpose	(b) Loan to or from the organization? To	From	(c) Original principal amount	(d) Balance due	(e) In default? Yes	No	(f) Approved by board or committee? Yes	No	(g) Written agreement? Yes	No
(1) G Douglas McDaniel Trust	X		150,000	150,000		No	Yes		Yes	
Total . . . . ▶ $				150,000						

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of grant or type of assistance

Part IV Business Transactions Involving Interested Persons.
Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) David Schmidt	Director	21,643	see part IV		No

Part V Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule L (see instructions)

Identifier	Return Reference	Explanation
		Part IV - David Schmidt is a Director of Wallowa Resources and Owns integrated biomass resources integrated biomass resources was paid by Wallowa resources for consulting work in the amount of $7,643 and for forest enhancement work the amount of $14,000

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SCHEDULE O (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or to provide any additional information.
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Wallowa Resources

Employer identification number
91-1794627

Identifier	Return Reference	Explanation
Form 990, Part VI, Line 19	Form 990, Part VI, Line 19 Other Organization Documents Publicly Available	The organization's governing documents, policies and financial statements are made available to the public upon request
Form 990, Part VI, Line 12c	Form 990, Part VI, Line 12c Explanation of Monitoring and Enforcement of Conflicts	all Board members are local residents and in this small community, the business activities of each member are general know ledge In addition, w ith such a small organization as WR, management knows w ho the Company is dealing w ith and is very sensitive to outw ard appearances If a business consideration or transaction involves a Board member, that member is asked to absent themselves from Board discussions of and votes regarding it The remaining members are then asked to pass a resolution in form recommended by legal counsel, recognizing the conflict, stating that it has been considered, concluding that the transaction is in the best interests of the Company and authorizing it
Form 990, Part VI, Line 11	Form 990, Part VI, Line 11 Form 990 Review Process	A draft copy of the 990 is thoroughly review ed by the CFO and the CEO The draft 990 is also emailed to each of the board members and comments solicited
Form 990, Part VI, Line 2	Form 990, Part VI, Line 2 Description of Business or Family Relationship of Officers, Directors, Et	Doug McDaniel and Gail Hammack are husband and w ife

SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2011

Open to Public Inspection

Name of the organization
Wallowa Resources

Employer identification number
91-1794627

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" on Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) Wallowa Resources Stewardship CenterLLC 401 NE 1st Street Ste A Enterprise, OR 97828 27-1887223	Rental Building	OR	201,715	941,755	Wallowa Resources

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled organization Yes	No

Part III **Identification of Related Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations? Yes	(h) No	(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership

Part IV **Identification of Related Organizations Taxable as a Corporation or Trust** (Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) Wallowa Resources Community Solutions I 401 NE 1st Street Ste A Enterprise, OR 97828 93-1319638	Project Management	OR	Wallowa Resources	C Corp	218,117	698,939	100 000 %

Part V Transactions With Related Organizations (Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35, 35A, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III or IV

		Yes	No
1 During the tax year, did the orgranization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity	1a		No
b Gift, grant, or capital contribution to related organization(s)	1b	Yes	
c Gift, grant, or capital contribution from related organization(s)	1c		No
d Loans or loan guarantees to or for related organization(s)	1d		No
e Loans or loan guarantees by related organization(s)	1e		No
f Sale of assets to related organization(s)	1f		No
g Purchase of assets from related organization(s)	1g		No
h Exchange of assets with related organization(s)	1h		No
i Lease of facilities, equipment, or other assets to related organization(s)	1i		No
j Lease of facilities, equipment, or other assets from related organization(s)	1j		No
k Performance of services or membership or fundraising solicitations for related organization(s)	1k		No
l Performance of services or membership or fundraising solicitations by related organization(s)	1l		No
m Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1m		No
n Sharing of paid employees with related organization(s)	1n		No
o Reimbursement paid to related organization(s) for expenses	1o		No
p Reimbursement paid by related organization(s) for expenses	1p		No
q Other transfer of cash or property to related organization(s)	1q		No
r Other transfer of cash or property from related organization(s)	1r		No

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

(a) Name of other organization	**(b)** Transaction type(a-r)	**(c)** Amount involved	**(d)** Method of determining amount involved
(1) Wallowa Resources Community Solutions I	b	359,260	FMV
(2)			
(3)			
(4)			
(5)			
(6)			

Part VI **Unrelated Organizations Taxable as a Partnership** (Complete if the organization answered "Yes" on Form 990, Part IV, line 37.)

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization See instructions regarding exclusion for certain investment partnerships

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income(related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	

Part VII Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier	Return Reference	Explanation

WALLOWA RESOURCES
AUDIT REPORT
and
REPORT IN COMPLIANCE WITH THE SINGLE AUDIT ACT OF 1984 AND OMB CIRCULAR A-133

For the Fiscal Year Ended
December 31, 2011

WALLOWA RESOURCES

December 31, 2011

BOARD OF DIRECTORS

Name	Term Expiration
Liza Nichols	December 31, 2012
David Schmidt	December 31, 2012
Kelly Birkmaier	December 31, 2012
Gail Hammack	December 31, 2012
Larry Nall	December 31, 2013
Jim Zacharias	December 31, 2013
Brad Stephens	December 31, 2013
Mike Hayward	December 31, 2014
Doug McDaniel	December 31, 2014
James Henson	December 31, 2014
Peter Ferre	December 31, 2014

WALLOWA RESOURCES

December 31, 2011

TABLE OF CONTENTS

Guyer & Associates
Certified Public Accountants

Randell C. Guyer, Jr.
Kent J. Bailey
Robert M. Burgess
Megan R. Adams
David F. Lindley
Scott A. Martin
Robert P. Seymour
Jacob J. Collier

INDEPENDENT AUDITOR'S REPORT

July 30, 2012

Board of Directors
Wallowa Resources

We have audited the accompanying consolidated statement of financial position of Wallowa Resources, a nonprofit organization, and its subsidiaries, as of December 31, 2011, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Wallowa Resource's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wallowa Resources and subsidiaries as of December 31, 2011, and the changes in net assets, functional expenses and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2012, on our consideration of Wallowa Resources and affiliates internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating schedule of financial position and consolidating schedule of changes in net assets is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Guyer and Associates
Certified Public Accountants

2790 Main Street
Baker City, OR 97814
541-523-4471
541-523-3340 fax

Members of
American Institute of Certified Public Accountants
Oregon Society of Certified Public Accountants
visit us at www.glbm.net

1005 Adams Avenue
La Grande, OR 97850
541-963-6009
541-963-5589 fax

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BASIC FINANCIAL STATEMENTS

WALLOWA RESOURCES

Consolidated Statement of Financial Position
December 31, 2011

ASSETS		
Current Assets		
Cash on hand and in banks	$	69,517
Accounts receivable		135,798
Investments		900
Prepaid expenses		16,425
Total Current Assets		222,640
Fixed Assets		
Buildings and improvements		864,626
Equipment		571,392
Construction in process		567,214
Land		100,000
Accumulated depreciation		(332,406)
Net Fixed Assets		1,770,826
Other Assets		
Note receivable		2,000
Total Assets	$	1,995,466
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$	124,793
Short-term notes payable and deposits		226,325
Accrued vacation		22,530
Accrued interest		233
Long-term debt - current maturities		16,265
Deferred revenue		146,130
Total Current Liabilities		536,276
Long-term debt, net of current maturities		207,022
Total Liabilities		743,298
Net Assets		
Unrestricted		1,160,453
Temporarily restricted		91,715
Total Net Assets		1,252,168
Total Liabilities and Net Assets	$	1,995,466

The accompanying notes are an integral part of this financial statement

WALLOWA RESOURCES

Consolidated Statement of Activities and Change in Net Assets
For the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
Support			
Foundation grants	$ 177,681	$ 91,715	$ 269,396
State and federal grants	1,238,871	-	1,238,871
Other grants and contributions	107,740	-	107,740
In-kind professional services	35,284	-	35,284
Program service fees	223,377	-	223,377
Rental Income	196,830		196,830
Gain (loss) on stocks	(35)	-	(35)
Gain (loss) on equity method investment	25,074	-	25,074
Dividend income	36	-	36
Interest income	380	-	380
Subsidiary income (loss)	(1,448)	-	(1,448)
Total Support	2,003,790	91,715	2,095,505
Expenses			
Program Services			
Special initiatives	233,122	-	233,122
Subsidiary activities	456,723	-	456,723
Field activities	503,208	-	503,208
Outreach and education	164,071	-	164,071
Total Program Services	1,357,124	-	1,357,124
Support Services			
Administration	290,608	-	290,608
Total Support Services	290,608	-	290,608
Total Expenses	1,647,732	-	1,647,732
Change in Net Assets	356,058	91,715	447,773
Beginning Net Assets as Originally Reported	723,579	-	723,579
Correction of Beginning Net Assets	7,211	73,605	80,816
Net Assets Released from Restriction	73,605	(73,605)	-
Ending Net Assets	$ 1,160,453	$ 91,715	$ 1,252,168

The accompanying notes are an integral part of this financial statement

WALLOWA RESOURCES

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2011

		Program Services				
	Support Services	Special Initiatives	Subsidiary Activities	Field Activities	Outreach and Education	Total
Direct Program Costs						
Personnel costs	$ -	$ 114,538	$ 101,842	$ 178,732	$ 118,540	$ 513,652
Consultants and contractors	-	102,664	51,316	245,947	5,787	405,714
Project supplies and equipment	-	5,567	4,212	67,548	33,111	110,438
Business expenses	-	5,569	218,699	464	2,769	227,501
Travel and Transportation	-	4,784	6,818	10,517	3,864	25,983
Total Direct Program Costs	-	233,122	382,887	503,208	164,071	1,283,288
General and Administrative Costs						
Business expenses	20,727	-	8,281	-	-	8,281
Consultants and contractors	14,070	-	-	-	-	-
Continuing education	211	-	-	-	-	-
Indirect expenses	22,508	-	92	-	-	92
Insurance	26,972	-	3,763	-	-	3,763
Legal and professional	-	-	46,369	-	-	46,369
Facilities and equipment	8,073	-	2,386	-	-	2,386
Travel and Transportation	247	-	725	-	-	725
Payroll expenses	143,101	-	-	-	-	-
Total General and Administrative Costs	235,909	-	61,616	-	-	61,616
Other Expenses						
Depreciation and amortization	46,453	-	3,101	-	-	3,101
Interest	8,246	-	9,119	-	-	9,119
Total Other Expenses	54,699	-	12,220	-	-	12,220
Total Expenses	$ 290,608	$ 233,122	$ 456,723	$ 503,208	$ 164,071	$ 1,357,124

The accompanying notes are an integral part of this financial statement

WALLOWA RESOURCES

Consolidated Statement of Cash Flows

For the Year Ended December 31, 2011

		December 31, 2011
Cash Flows from Operating Activities		
Change in net assets	$	447,772
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization		71,134
(Gain) loss on investments		(23,591)
Fair market value adjustment		64
(Increase) decrease in		
Accounts receivable		42,022
Prepaid expenses		(15,104)
Other assets		(2,000)
Increase (decrease) in		
Accounts payable		(24,125)
Accrued expenses		(9,568)
Deferred revenue, as restated		(19,345)
Net Cash Provided by Operating Activities		467,259
Cash Flows from Investing Activities		
Purchase of property and equipment		(668,941)
Proceeds from sale of investments		30,031
Net Cash Used by Investing Activities		(638,910)
Cash Flows from Financing Activities		
Repayments on short-term borrowing		(75,783)
Principal repayments on long-term debt		(11,329)
Proceeds from long-term debt		196,000
Net Cash Provided by Financing Activities		108,888
Net Increase in Cash and Cash Equivalents		(62,763)
Cash and Cash Equivalents as of Beginning of Year		132,280
Cash and Cash Equivalents as of End of Year	$	69,517

The accompanying notes are an integral part of this financial statement

NOTE 1 – Summary of Significant Accounting Policies

The Organization

Wallowa Resources (Organization) was incorporated in Oregon on October 18, 1996, under the State of Oregon Non-Profit Corporation Statutes The Organization seeks to promote watershed health, stabilize and strengthen the natural resource-based economy and broaden community understanding of the ties between environmental health and economic health in Wallowa County, Oregon

Financial Statement Presentation and Basis of Accounting

The Organization's accounts are maintained on the accrual basis of accounting

Under the Financial Accounting Standards Board's Accounting Standards Codification ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets unrestricted net assets, temporarily restricted net assets and permanently restricted net assets All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor or grantor Amounts received that are designated for future periods or restricted by the donor or grantor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized

Promises to Give and Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional A grant contribution is distinguished from an exchange transaction as follows a grant would likely be a contribution if the activity specified by the grant is planned and carried out by the nonprofit and the nonprofit has the right to the benefits, a grant would likely be an exchange transaction if the grantor provides the materials and retains the right to the results Donated in-kind professional services are recorded as a contribution and an expenditure at fair market value During the year ended December 31, 2011, the value of promises to give were not material and have not been recorded

Principles of Consolidation and Operations of Subsidiaries

The consolidated financial statements include the accounts of Wallowa Resources and its subsidiaries, Wallowa Resources Community Solutions, Inc (a for profit C-corporation) and Wallowa Resources Stewardship Center LLC (an Oregon limited liability company operated as a non-profit) Inter-company accounts and transactions have been eliminated in the consolidation process Wallowa Resources owns all of the outstanding stock of Wallowa Resources Community Solutions Inc , which was organized in May of 2001 to assist Wallowa Resources in carrying out its objectives by more efficiently making use of natural resources located in Wallowa County In 2010, Wallowa Resources received ownership of certain real property known as "the old hospital " This property was donated to Wallowa Resources by the Wallowa County Healthcare District The property has become the Organization's headquarters and a source of additional revenue Wallowa Resources Stewardship Center LLC is the legal entity created to accept and maintain this property The company leases space contained in the facility Wallowa Resources is the only member of Wallowa Resources Stewardship Center LLC, and controls 100% of all membership interests All intercompany activity has been eliminated in coming to the consolidated totals

NOTE 1 – Summary of Significant Accounting Policies, Continued

Grants
Grants awarded to the organization that will provide support for a particular program are recognized as an increase in temporarily restricted net assets when the award is made and it is unlikely that conditions of the award will not be met Grants where program expenditures have to be incurred before reimbursement is made are recorded when the conditions to receive the reimbursement are met

Accounts Receivable
The Organization's accounts receivable are primarily balances due on reimbursement based grant agreements Although the Organization uses the allowance method for doubtful accounts, there were no accounts at December 31, 2011 which management considered uncollectible

Fixed Assets
Assets that are capital in nature, have a cost greater than $2,000, and have an expected useful life in excess of one year are capitalized at cost, except for donations, which are recorded as contributions at their estimated fair value Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor, and transfers temporarily restricted net assets to unrestricted net assets The Organization depreciates property and equipment using the straight-line method over the estimated useful lives of the assets Estimated useful lives usually range from five to seven years for furniture, fixtures, computer equipment and vehicles, and 40 years for buildings Land is not depreciated

Income Taxes
Wallowa Resources is a not-for-profit organization that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions However, Wallowa Resources Community Solutions, Inc is a C-corporation subject to income tax As of December 31, 2011, the subsidiary had an unused net operating loss carry forward of $73,852 which can be used to offset future taxable income Of this loss carry forward $32,574 will expire in 2026 and $41,278 will expire in 2029 Income tax returns are filed in the United States and Oregon As of December 31, 2011 all years prior to 2008 are no longer subject to examination by taxing authorities Wallowa Resources Stewardship Center LLC is a single member limited liability company and considered a disregarded entity for income tax purposes Its net income is combined with Wallowa Resources for reporting purposes

Investments
In accordance with FASB ASC 320, investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position Unrealized gains and losses are included in the change in net assets Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized

NOTE 1 – Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents
For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents

Functional Allocation of Expenses
Costs of providing the various programs, services and other activities are summarized on a functional basis in the statement of activities Accordingly, certain costs are allocated among the various programs and supporting services

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures Accordingly, actual results could differ from those estimates

Restrictions on Net Assets
Temporarily restricted net assets as of December 31, 2011 consist of foundation grants that were given to the Organization with the intent that they be used for a specified purpose The Organization intends to spend these funds on each purpose specified in future periods

Fair Value Measurements
The company recognizes financial assets and financial liabilities at fair value Fair value is the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date A three-tier hierarchy maximizes the use of observable market data and minimizes the use of unobservable inputs, to establish classification of fair value measurements for disclosure purposes Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk Inputs may be observable or unobservable Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available The three levels of the fair value hierarchy are as follows

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date These include highly liquid U S Treasury securities, and exchange traded equity and derivative instruments

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly Included in Level 2 are derivative instruments which are priced using models with observable market inputs, including interest rates, foreign currency, and certain credit swap contracts

Level 3 inputs are observable inputs for the asset or liability including assumptions about risk

Determination of fair value for investments in debt and equity securities that are classified as available for sale are recorded at fair value on a recurring basis

NOTE 2 – Investments

Investments are stated at fair value and consist of marketable equity securities only These securities are considered level one, as described above Cost and fair value of the securities at December 31, 2011 are as follows

	Cost	Unrealized Appreciation (Depreciation)	Fair Value 12/31/2011
Available for Sale			
Capital Income Builder	$ 931	$ (58)	$ 873
Citigroup, Inc	868	(841)	27
	$ 1,799	$ (899)	$ 900

NOTE 3 – Cash

Cash and cash equivalents at December 31, 2011 are comprised of the following

Wallowa Resources	
Community Bank Checking	$ 7,002
Community Bank Savings	11,109
Sterling Bank Money Market	3,611
Edward Jones Money Market	31
Cash on Hand	165
Community Solutions	
Community Bank Checking	1,911
Capital Pacific Bank Checking	39,991
Stewardship Center	
Community Bank Checking	1,364
Bank of Eastern Oregon Checking	4,333
Totals	$ 69,517

Depository accounts at each of the above banks are insured by the Federal Deposit Insurance Corporation for up to $250,000 at each depository At December 31, 2011 the Organization had no uninsured cash balances

NOTE 4 – Note Receivable

At December 31, 2011 Wallowa Resources Stewardship Center had a $2,000 note receivable from Wallowa Valley Networks (WVN) This note is being treated as a revolving line of credit with the maximum balance not to exceed $10,000 Interest is accruing at a rate of 3% per annum No monthly payments are required, but the entire unpaid balance including interest is due and payable on September 29, 2013

NOTE 5 – Fixed Assets

For the year ended December 31, 2011, changes in property, plant and equipment and related accumulated depreciation were as follows

	Balance 12/31/2010	Additions	Disposals	Balance 12/31/2011
Buildings and improvements	$ 864,627	$ -	$ -	$ 864,627
Equipment	469,665	101,726	-	571,391
Construction in process	-	567,214	-	567,214
Land	100,000	-	-	100,000
Subtotal	1,434,292	668,940	-	2,103,232
Accumulated depreciation	(261,272)	(71,134)	-	(332,406)
Fixed assets, net	$ 1,173,020	$ 597,806	$ -	$ 1,770,826

Depreciation expense for the year ended December 31, 2011 was $71,134

NOTE 6 – Retirement Plan

Wallowa Resources maintains a defined contribution retirement plan under Internal Revenue Code Section 403(b) Employees over 21 years of age are eligible to participate in the plan upon employment with Wallowa Resources and will receive employer contributions upon completion of six months of continuous employment The plan currently provides for employer contributions of 4% of eligible employee compensation to the plan Employee elective contributions may be made up to the amounts allowed by the Internal Revenue Code This plan can be modified by the Board of Directors at any time For the year ended December 31, 2011 total employer contributions to the plan were $15,680

NOTE 7 – Compensated Absences

All full-time and part-time employees are eligible and begin to accrue vacation pay at the beginning of the first full month of employment subject to plan limits Vacation may be used after six months of employment Monthly and annual vacation accruals are as follows

Years of Employment	Hours per Month	Hours per Year
0-1	6 66	80
1-3	10	120
3-8	13 33	160
Over 8	16 66	200

As of December 31, 2011 accrued vacation pay totaled $22,530 Under the terms of the organization's policy, employees are allowed to accrue unused vacation up to a maximum of one year's accumulation

Employees are also eligible for six days of personal leave per year to be used for illness or personal business Personal leave does not carry over from year to year and unused leave is not paid at termination

NOTE 8 – Line of Credit

Wallowa Resources has secured a line of credit of $245,000 from Community Bank The terms of the agreement include a due date of September 12, 2012 and a variable interest rate which was 5 5% at December 31, 2011 The outstanding principal balance of this short-term note at December 31, 2011 was $185,600 The note is secured by real property, accounts receivable, intangibles and contract rights

Wallowa Resources Community Solutions, Inc has secured a line of credit of $100,000 from Northwest Community Capital Fund The terms of the agreement include a maturity date of December 31, 2012 and a fixed rate of interest of 5% At December 31, 2011 the outstanding principal balance was $40,000 This short-term note is secured by an assignment of contracts and contract rights related to the entity's combined heat and power project

NOTE 9 – Long-Term Debt

Long-term debt was comprised of the following at December 31, 2011

Wallowa Resources	
Note payable to Toyota Financial Services, secured by equipment, monthly payments of $358, including interest at 2 9% at December 31, 2011	$ 13,654
Note payable to Sterling Savings Bank, secured by equipment, monthly payments of $384, including interest at 7 25% at December 31, 2011	6,122
Note payable to James B Henson, annual payments of $4,040, including interest at 5% at December 31, 2011	7,511
Community Solutions	
Note payable to James B Henson, monthly payments (estimated at $2,800 annually) are based upon feed-in tariff payments received from Pacific Power, including interest at 7% at December 31, 2011	26,000
Note payable to Myron and Kendra Kirkpatrick, monthly payments (estimated at $2,800 annually) are based upon feed-in tariff payments received from Pacific Power, including interest at 7% at December 31, 2011	20,000
Stewardship Center	
Note payable to G Douglas McDaniel Trust, structured as a line of credit with a maximum amount available of $400,000 Payments are interest only up until the "conversion date" of August 1, 2012 Repayment will then be amortized over 20 years Interest rate is fixed for ten years and then resets to the US Bank prime rate with a minimum 6 5% and a maximum of 9% On the balance outstanding at 12/31/11 payments will be $1,118, including interest at 6 5%	150,000
Total Long Term Debt	223,287
Less Current Portion	(16,265)
Long Term Debt Net of Current Portion	$ 207,022

NOTE 9 – Long-Term Debt, Continued

Aggregate maturities of long-term debt over the next five years are estimated as follows

Year Ending December 31,	Amount
2012	$ 16,265
2013	17,326
2014	12,293
2015	10,074
2016	9,221
thereafter	158,108
Total	$ 223,287

Cash basis interest paid for the year ended December 31, 2011 was $16,456

NOTE 10 – Commitments and Contingencies

Amounts received or receivable from outside agencies are subject to audit and adjustment by those agencies Adjustments in amounts claimed as allowable program expenses may result in a future liability of the Organization

NOTE 11 – Related Parties

During the year ended December 31, 2011 the organization entered into several related party transactions Myron Kirkpatrick, the organization's Chief Financial Officer & Treasurer, and James Henson, a member of the Board of Directors each loaned money to Wallowa Resources Community Solutions, Inc to complete a solar array project The loan amounts were $20,000 and $26,000, respectively, the terms of which have been previously disclosed There is also a 2010 note payable to James Henson on the books of Wallowa Resources, the purpose of which was to provide financing for up-front costs related to acquisition of the "old hospital building" The balance of this note at December 31, 2011 was $7,511

Also during the year ended December 31, 2011, Douglas McDaniel, a Director of both Wallowa Resources and Wallowa Resources Community Solutions, Inc , extended a credit facility of up to $400,000 to Wallowa Resources Stewardship Center for the primary purposes of enabling the company to retire its short-term bank line of credit, pursue significant energy conservation measures and establish an internal cash operating reserve The terms and current status of this note have been previously disclosed

Integrated Biomass Resources LLC (IBR) has partnered with Wallowa Resources to build a biomass energy complex on property owned by Wallowa County IBR is owned by a Wallowa Resources Board member

NOTE 11 – Related Parties, Continued

Wallowa Resources has entered into contracts with several Board members for construction and consulting During the year ended December 31, 2011 related party construction contracts totaled $65,045, and consulting service contracts totaled $32,128 Wallowa Resources also rented office space to businesses owned by a Board member for a total of $15,136

NOTE 12- Prior Period Adjustments

During the year under audit, management discovered that there was an error in the prior year in recording Community Solutions, Inc 's investment in Renewable Energy Solutions LLC This resulted in the investment account and net income being understated by $7,211 Beginning net assets are being restated to reflect this increase

Additionally, during preparation of the December 31, 2011 financial statements, management realized that net assets on the December 31, 2010 financial statements were not correctly stated Foundation grant revenues received in the amount of $73,605 were incorrectly recorded as deferred revenue Instead, it was determined that these grants should have been recorded as temporarily restricted revenue, thereby increasing net assets Temporarily restricted beginning net assets are being restated to reflect this increase

NOTE 13- Subsequent Events

Subsequent events have been evaluated through the date of this report and there are no material subsequent events that require disclosure in the financial statements other than the following

Wallowa Resources is in the process of completing its biomass energy campus In order to do this they still need to obtain an essential piece of equipment Wallowa Resources has prepaid a supplier for the equipment, however, the supplier has encountered financial difficulties and is unable to perform its portion of the contract A deal has been worked out whereby Wallowa Resources will purchase the equipment direct from the manufacturer The manufacturer has the equipment already completed and is prepared to ship it as soon as they receive payment Wallowa Resources has estimated that the maximum potential loss due to the supplier defaulting on the contract is $91,000, not including legal fees and other expenses Additional contributions have been solicited and $75,000 has been received to cover this potential loss

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SUPPLEMENTARY INFORMATION

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Wallowa Resources

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2011

ASSETS	Wallowa Resources	WR Community Solutions, Inc	WR Stewardship Center LLC	Intercompany Eliminations	Consolidated Balances
Current Assets					
Cash on hand and in banks	$ 21,919	$ 41,901	$ 5,697	$ -	$ 69,517
Accounts receivable	112,205	22,543	9,853	(8,803)	135,798
Investments	900	-	-	-	900
Prepaid expenses	11,554	1,017	3,854	-	16,425
Total Current Assets	146,578	65,461	19,404	(8,803)	222,640
Fixed Assets					
Buildings and improvements	12,000	-	852,626	-	864,626
Equipment	493,832	74,045	3,515	-	571,392
Construction in process	-	567,214	-	-	567,214
Land	-	-	100,000	-	100,000
Accumulated depreciation	(288,835)	(7,781)	(35,790)	-	(332,406)
Net Fixed Assets	216,997	633,478	920,351	-	1,770,826
Other Assets					
Note Receivable	-	-	2,000	-	2,000
Investments in subsidiaries	1,345,699	-	-	(1,345,699)	-
Total Other Assets	1,345,699	-	2,000	(1,345,699)	2,000
Total Assets	$ 1,709,274	$ 698,939	$ 941,755	$ (1,354,502)	$ 1,995,466
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable	$ 75,559	$ 18,543	$ 39,494	$ (8,803)	$ 124,793
Short-term notes payable and deposits	185,600	40,000	725	-	226,325
Accrued vacation	22,530	-	-	-	22,530
Accrued Interest	-	233	-	-	233
Long-term debt - current maturities	11,927	3,105	1,233	-	16,265
Deferred revenue	146,130	-	-	-	146,130
Total Current Liabilities	441,746	61,881	41,452	(8,803)	536,276
Long-term debt, net of current maturities	15,360	42,895	148,767	-	207,022
Total Liabilities	457,106	104,776	190,219	(8,803)	743,298
Net Assets					
Unrestricted	1,160,453	-	-	-	1,160,453
Temporarily restricted	91,715	22,000	-	(22,000)	91,715
Additional paid-in capital	-	752,038	-	(752,038)	-
Retained Earnings	-	(179,875)	-	179,875	-
Member Equity	-	-	751,536	(751,536)	-
Total Net Assets	1,252,168	594,163	751,536	(1,345,699)	1,252,168
Total Liabilities and Net Assets	$ 1,709,274	$ 698,939	$ 941,755	$ (1,354,502)	$ 1,995,466

Wallowa Resources

CONSOLIDATING SCHEDULE OF CHANGES IN NET ASSETS
For the Year Ended December 31, 2011

	Unrestricted				
	Wallowa Resources	WR Community Solutions, Inc	WR Stewardship Center LLC	Intercompany Eliminations	Consolidated Balances
Revenues and Support					
Foundation grants	$ 177,681	$ -	$ -	$ -	$ 177,681
State and federal grants	1,005,965	232,906	-	-	1,238,871
Other grants and contributions	128,621	31,813	3,530	(56,224)	107,740
In-kind professional services	-	35,284	-	-	35,284
Program service fees	132,273	104,965	-	(13,861)	223,377
Rental Income	-	-	224,473	(27,643)	196,830
Total Revenues and Support	1,444,540	404,968	228,003	(70,085)	1,979,783
Expenses					
Direct Program Costs					
Personnel costs	411,809	52,348	49,494	-	513,651
Consultants and contractors	357,481	71,224	6,095	(29,086)	405,714
Project supplies and equipment	106,227	1,956	2,256	-	110,439
Business Expenses	8,802	5,182	213,517	-	227,501
Travel and Transportation	19,165	6,818	-	-	25,983
Total Direct Program Costs	903,484	137,528	271,362	(29,086)	1,283,288
General and Administrative Costs					
Business Expenses	20,727	5,510	2,771	-	29,008
Continuing Education	211	-	-	-	211
Consultants and contractors	14,070	-	-	-	14,070
Indirect expenses	22,508	32,092	-	(32,000)	22,600
Insurance	26,972	3,763	-	-	30,735
Legal and professional	-	44,710	10,659	(9,000)	46,369
Facilities and equipment	34,361	3,741	-	(27,643)	10,459
Travel and Transportation	247	725	-	-	972
Personnel costs	143,102	-	-	-	143,102
Total General and Administrative Costs	262,197	90,541	13,430	(68,643)	297,525
Other (Income) and Expense					
Dividend income	(36)	-	-	-	(36)
Interest income	(55)	(142)	(183)	-	(380)
Interest expense	8,246	1,449	7,670	-	17,365
(Income) loss in subsidiary	(131,842)	1,448	-	131,842	1,448
Depreciation and amortization	46,453	3,101	-	-	49,554
(Gain) on equity method investment	-	(25,074)	-	-	(25,074)
(Gain) loss on stocks	35	-	-	-	35
Total Other (Income) and Expense	(77,199)	(19,218)	7,487	131,842	42,912
Change in Net Assets	356,058	196,117	(64,276)	(104,198)	356,058
Beginning Net Assets as Originally Reported	723,579	9,575	815,812	(825,387)	723,579
Contributed Capital	-	359,260	-	(359,260)	-
Correction of Beginning Net Assets	7,211	7,211	-	(7,211)	7,211
Net Assets Released from Restriction	73,605	-	-	-	73,605
Ending Net Assets	$ 1,160,453	$ 572,163	$ 751,536	$ (1,296,056)	$ 1,160,453

Temporarily Restricted				
Wallowa Resources	WR Community Solutions, Inc	WR Stewardship Center LLC	Intercompany Eliminations	Consolidated Balances
$ 69,715	$ 10,000	$ -	$ -	$ 79,715
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	12,000	-	-	12,000
-	-	-	-	-
69,715	22,000	-	-	91,715
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
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-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(22,000)	-	-	22,000	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(22,000)	-	-	22,000	-
91,715	22,000	-	(22,000)	91,715
-	-	-	-	-
-	-	-	-	-
73,605	-	-	-	73,605
(73,605)	-	-	-	(73,605)
$ 91,715	$ 22,000	$ -	$ (22,000)	$ 91,715

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GOVERNMENT AUDITING STANDARDS REPORTS

Guyer & Associates
Certified Public Accountants

Randell C Guyer, Jr
Kent J Bailey
Robert M Burgess
Megan R Adams

David F Lindley
Scott A Martin
Robert P Seymour
Jacob J Collier

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

July 30, 2012

To the Board of Directors of
Wallowa Resources

We have audited the financial statements of Wallowa Resources, a nonprofit organization consolidated with Wallowa Resources Stewardship Center LLC, a wholly owned nonprofit limited liability company and Wallowa Resources Community Solutions Inc a wholly owned for profit subsidiary (Wallowa Resources), as of and for the year ended December 31, 2011, and have issued our report thereon dated July 30, 2012 We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wallowa Resources' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wallowa Resources' internal control over financial reporting Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting as item 2011-1 A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wallowa Resources' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts However, providing an opinion on compliance with those provisions was not an

2790 Main Street
Baker City, OR 97814
541-523-4471
541-523-3340 fax

Members of
American Institute of Certified Public Accountants
Oregon Society of Certified Public Accountants
visit us at www.glbm.net

1005 Adams Avenue
La Grande, OR 97850
541-963-6009
541-963-5589 fax

objective of our audit, and accordingly, we do not express such an opinion The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to management of Wallowa Resources in a separate letter dated July 30, 2012

Wallowa Resources' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs We did not audit Wallowa Resources' response and, accordingly, we express no opinion on it

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

Guyer & Associates

Guyer and Associates
Certified Public Accountants

Guyer & Associates
Certified Public Accountants

Randell C Guyer, Jr
Kent J Bailey
Robert M Burgess
Megan R Adams

David F Lindley
Scott A Martin
Robert P Seymour
Jacob J Collier

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

July 30, 2012

To the Board of Directors of
Wallowa Resources

Compliance

We have audited Wallowa Resources, a nonprofit organization consolidated with Wallowa Resources Stewardship Center LLC, a wholly owned nonprofit limited liability company and Wallowa Resources Community Solutions Inc a wholly owned for profit subsidiary (Wallowa Resources') compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Wallowa Resources' major federal programs for the year ended December 31, 2011 Wallowa Resources' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Wallowa Resources' management Our responsibility is to express an opinion on Wallowa Resources' compliance based on our audit

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred An audit includes examining, on a test basis, evidence about Wallowa Resources' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances We believe that our audit provides a reasonable basis for our opinion Our audit does not provide a legal determination of Wallowa Resources' compliance with those requirements

In our opinion, Wallowa Resources complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011

Internal Control over Compliance

Management of Wallowa Resources is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs In planning and performing our audit, we considered Wallowa Resources' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance Accordingly, we do not express an opinion on the effectiveness of Wallowa Resources' internal control over compliance

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified However, as discussed below, we identified

2790 Main Street
Baker City, OR 97814
541-523-4471
541-523-3340 fax

Members of
American Institute of Certified Public Accountants
Oregon Society of Certified Public Accountants
visit us at www glbm net

1005 Adams Avenue
La Grande, OR 97850
541-963-6009
541-963-5589 fax

To the Board of Directors of
Wallowa Resources
August 31, 2011

a certain deficiency in internal control over compliance that we consider to be a material weakness

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-2 to be a material weakness

Wallowa Resources' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs We did not audit Wallowa Resources' responses and, accordingly, we express no opinion on the responses

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties

Guyer and Associates
Certified Public Accountants

WALLOWA RESOURCES

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Program Award	Federal Expenditures	
United States Department of Agriculture					
ARRA-Wildland Fire Management	10 688		$ 250,800	$ 32,853	
Collaberative Forest Restoration	10 679		74,621	40,738	
State & Private Forestry, Technology, Marketing & Applied Research Assistance	10 674		20,000	14,356	
Collaberative Forest Restoration	10 679		7,000	3,041	
Collaberative Forest Restoration	10 679		13,485	8,903	
United States Department of Energy					
Renewable Energy Research & Development	81 087		500,000	384,718	*
Department of the Interior -- US Fish and Wildlife Service					
Endangered Species Conservation-Wolf Livestock Loss Compensation and Prevention	15 666		10,000	10,000	
United States Department of Agriculture Rural Development passed through from Susatinable Northwest					
Dry Forest Zone	10 679	1-USDARD-DFZ-02	51,000	25,857	
Department of the Interior -- Bureau of Land Management passed through Tri County Cooperative Weed Management Area					
Noxious Weed Control	15 230	L08AC14598-Mod#3	58,000	36,243	
Noxious Weed Control	15 230	L08AC14598-Mod#4	50,200	10,643	
United States Department of Agriculture -- Forest Service passed through Tri County Cooperative Weed Management Area					
Coordinated Weed Control	10 679	WWNF T2Plus	103,967	30,185	
United States Department of Agriculture -- Forest Service passed through the National Forest Foundation					
Noxious Weeds Management	10 682	AC-605B	60,000	22,066	
Invasive Plant and Airshed	10 682	BD-602	33,000	26,904	
Invasive Plant and Airshed	10 682	BD-602	15,000	15,000	
Restoration of Big Sheep & Imnaha River Watersheds	10 682	AD-606C	30,000	19,531	
Joseph Creek Collaboration	10 693	LD-629	15,000	5,530	
Airshed	10 682	BC-602C	8,000	4,495	
Airshed	10 682	BC-602C	32,000	4,833	
United States Department of Energy passed through the Oregon Department of Energy					
ARRA-State Energy Program	81 041		275,000	232,906	*
Total Expenditures of Federal Awards				$ 928,802	

* denotes program audited as major

The notes to the schedule of expenditures of federal awards are an integral part of this statement

1 Scope of Audit Pursuant to OMB Circular A-133

All Federal grant expenditures of Wallowa Resources, are included in the scope of the Circular A-133 audit The Single Audit was performed in accordance with the provisions of the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments

The United States Department of Energy is Wallowa Resources' oversight agency for the Single Audit

2 Fiscal Period Audited

This report relates to Single Audit testing procedures performed for program transactions occurring during the fiscal year ended December 31, 2011

3 Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting The reported expenditures were incurred during the year ended December 31, 2011 These expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement

4 Identification of Major Programs

The Organization had one program with over $300,000 of Federal expenditures (Type A) One program with federal expenditures less than $300,000 (Type B) was audited as a major program to obtain the audit coverage required under OMB Circular A-133

WALLOWA RESOURCES
Schedule of Findings and Questioned Costs
Year Ended December 31, 2011

SUMMARY OF AUDITOR'S RESULTS

1 The auditor's report expresses an unqualified opinion on the financial statements of Wallowa Resources

2 A control deficiency relating to the audit of the financial statements is reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* This deficiency is a significant deficiency

3 No instances of noncompliance material to the financial statements of the Wallowa Resources, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit

4 A significant deficiency relating to the audit of the major federal award programs is reported in the report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133 It is considered to be a material weakness

5 The auditor's report on compliance for the major federal award programs (listed below) for the Wallowa Resources expresses an unqualified opinion on its major federal programs

6 Audit findings that are required to be reported in accordance with OMB Circular A-133 are reported in this schedule

7 The programs tested as major programs include
U S Department of Energy
1 Renewable Energy Research and Development - CFDA #81 087

2 Passed Through the Oregon Department of Energy
State Energy Program - CFDA #81 041

8 The threshold for distinguishing Types A and B programs was $300,000

9 The Wallowa Resources was determined to be a high-risk auditee

FINDINGS - FINANCIAL STATEMENTS AUDIT

2011-1– Year ended December 31, 2011

Condition Approval of expenditures by management personnel is a procedure in internal control over financial reporting that has been adopted by Wallowa Resources Documentation of management's approval was not always evident in the expenditures selected for testing during our audit

Criteria The organization is required to design and implement a suitable system of internal control over financial reporting to ensure that transactions are properly authorized and recorded and assets are safeguarded from misappropriation

Possible effect This flaw in the implementation of internal control could allow transactions to be recorded that have not been approved by management without management being able to detect the unauthorized transaction

Perspective information The system of internal control at Wallowa Resources appears to be appropriately designed There are procedures used in the system of internal control that mitigate the risk caused by this flaw in implementation of internal control such as frequent review by managers of their expenditures and comparing them to budgets for their programs

Questioned Costs None No expenditures believed to be unauthorized were discovered during our audit

Recommendation Wallowa Resources should ensure that each step in the internal control process be documented for each transaction This could be done by more specific documentation of the internal control procedures and ensuring that each employee who expends funds knows the required documentation of approval Monitoring of this internal control procedure by management to make sure it is occurring is also recommended

Management's Response Management is going to consider the recommendation and evaluate the system of internal control over financial reporting in this area A determination of improvements that should be made to the system of internal control will follow

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

All Awards
2011-2 - Year ended December 31, 2011

Condition Wallowa Resources does not have any policies or procedures in place to ensure they do not hire an employee or contractor that has been suspended or debarred from engaging in contracts under federal programs

Criteria A compliance requirement of federal programs is that employees and contractors used in federally funded programs are not persons who have been excluded from eligibility under the suspended or debarment requirements

Possible effects An employee or contractor who is ineligible for federal program funding could have been hired and paid with federal money

Questioned Costs None, Wallowa Resources did not use any ineligible employees or contractors

Recommendation Wallowa Resources should implement policies and procedures to check the excluded persons list or obtain a certified statement for each employee and contractor (including the subcontractors) whose federal expenditures is expected to exceed the threshold amount (currently $25,000)

Management's Response Management agrees with the finding and will make the recommended addition to its policies and procedures