

WILD SALMON CENTER

**Audited Consolidated
Financial Statements**

**For the Years Ended
December 31, 2009 and 2008**



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

Jake Jacobs, CPA

Susan J. Marks, CPA

Mark A. Clift, CPA

Karin S. Wandtke, CPA

Sang Ahn, CPA

*Jill Oswald
Principal*

*Dennis C. Johnson, CPA
of counsel*

*James R. McDonald, CPA
of counsel*

To the Board of Directors
Wild Salmon Center
Portland, Oregon

We have audited the accompanying consolidated statements of financial position of Wild Salmon Center (a nonprofit organization) as of December 31, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Wild Salmon Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wild Salmon Center as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McDonald Jacobs, P.C.

April 15, 2010

Strength in Numbers

ACCOUNTANTS & CONSULTANTS

McDonald Jacobs, PC

520 SW Yamhill Suite 500 Portland, Oregon 97204

P: 503 227 0581 F: 503 274 7611

mail@mcdonaldjacobs.com www.mcdonaldjacobs.com

WILD SALMON CENTER
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 3,629,100	\$ 3,450,914
Accounts receivable	3,905	5,466
Pledges receivable, net	1,315,362	1,470,973
Prepaid expenses, deposits, and supplies	54,200	63,259
Property and equipment, net	156,172	240,258
Cash held for purchase of land	198,256	-
Investments held for purchase of land	309,375	-
Land held for preservation	-	936,241
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 5,666,370</u>	<u>\$ 6,167,111</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 232,572	\$ 373,286
Deferred revenue	2,743	-
Notes payable	68,398	136,097
Total liabilities	<u>303,713</u>	<u>509,383</u>
Net assets:		
Unrestricted:		
Undesignated	955,506	952,663
Land, property and equipment, net	61,046	1,028,408
Board designated	775,000	775,000
Total unrestricted	<u>1,791,552</u>	<u>2,756,071</u>
Temporarily restricted:		
Time and purpose restricted	3,544,377	2,854,883
Restricted property and equipment, net	26,728	46,774
Total temporarily restricted	<u>3,571,105</u>	<u>2,901,657</u>
	<u> </u>	<u> </u>
Total net assets	<u>5,362,657</u>	<u>5,657,728</u>
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,666,370</u>	<u>\$ 6,167,111</u>

See notes to consolidated financial statements.

WILD SALMON CENTER
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Cash received from grants, contracts, and contributions	\$ 6,509,437	\$ 8,959,095
Other cash receipts	37,666	30,154
Interest received	31,887	43,443
Cash paid to employees and suppliers	(5,993,818)	(7,211,667)
Cash paid for interest	<u>(6,474)</u>	<u>(11,034)</u>
Net cash provided by operating activities	<u>578,698</u>	<u>1,809,991</u>
Cash flows from investing activities:		
Proceeds from the sale of investments	184,951	-
Purchases of investments	(499,768)	-
Additions to property and equipment	<u>(17,996)</u>	<u>(62,013)</u>
Net cash used in investing activities	<u>(332,813)</u>	<u>(62,013)</u>
Cash flows from financing activities:		
Cash held for purchase of land	198,256	-
Principal payments on notes payable	<u>(67,699)</u>	<u>(60,303)</u>
Net cash used in financing activities	<u>130,557</u>	<u>(60,303)</u>
Net increase in cash and cash equivalents	376,442	1,687,675
Cash and cash equivalents - beginning of year	<u>3,450,914</u>	<u>1,763,239</u>
Cash and cash equivalents - end of year	<u>\$ 3,827,356</u>	<u>\$ 3,450,914</u>
Cash and cash equivalents	3,629,100	3,450,914
Cash held for purchase of land	<u>198,256</u>	<u>-</u>
	<u>\$ 3,827,356</u>	<u>\$ 3,450,914</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (295,071)	\$ 1,482,790
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	100,993	105,979
In-kind donations of property and equipment	-	(10,000)
Loss on sale and disposition of property and equipment	1,089	2,185
Net realized/unrealized loss on investments	5,442	-
Allowance for uncollectible accounts	-	(53,774)
Land contributed to land trust	936,241	-
Funds received for purchase of land	(198,256)	-
(Increase) decrease in:		
Accounts and pledges receivable	157,172	(7,500)
Prepaid expenses, deposits, and supplies	9,059	101,241
Increase (decrease) in:		
Accounts payable and accrued expenses	(140,714)	189,070
Deferred revenue	<u>2,743</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 578,698</u>	<u>\$ 1,809,991</u>

See notes to consolidated financial statements.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Wild Salmon Center (the Organization or WSC), founded in 1992, is an incorporated association whose mission is to identify, understand and protect the best wild salmon ecosystems of the Pacific Rim. The Organization devises and implements practical strategies, based on the best science, to protect forever these extraordinary places and their biodiversity. The Organization's board of directors and staff include experts in salmon management and conservation from Russia and the United States. The Organization receives support primarily from public and private foundations. Three grantors provided approximately 58% of WSC's support for 2009 and two grantors provided approximately 53% of WSC's support for 2008.

The Organization's primary programs include:

- **North America Program:** The North America Program conducts conservation activities in the states of Oregon, Washington, and Alaska while cultivating partnerships in California, Idaho, and British Columbia, Canada. Through extensive collaboration with public and private partners, the Program focuses on building and leading diverse coalitions to ensure the long-term abundance, viability, and diversity of North America's strongest remaining salmon populations. Projects range from leadership on community-based conservation in the John Day (Oregon) and Olympic Peninsula (Washington) to actively opposing threats posed by resource extraction activities in the Nushagak/Kvichak (Alaska) and Tillamook (Oregon) strongholds. In addition to these 'place based' activities, the North America Program's principal effort is leading development of the North American Salmon Stronghold Partnership (NASSP). Designed as a complement to ongoing investments in salmon recovery, NASSP is a public-private partnership conceived to accelerate the protection and restoration of the best remaining North American salmon ecosystems.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Organization, Continued

- **Western Pacific Program:** The Western Pacific Program is working to ensure effective long-term protection of network sites in Russia. This program conducts conservation activities in Kamchatka, on Sakhalin Island, in the Russian Far East, and is in the early stages on the island of Hokkaido in Japan. Principal activities of the Program include protected area designation and management in Kamchatka, establishment of and long-term protection for habitat in the Russian Far East and in Japan, and the empowerment of local stakeholders in these areas so that they can be effective in their conservation efforts.

- **Conservation Finance and Government Affairs:** The Program is working to build political and financial support within the US and Russian federal governments, and the international community for the conservation of the healthiest remaining strongholds around the Pacific Rim. In Russia, the focus is on establishing the Russian Salmon Fund where WSC is working with local partners to galvanize long-term Russian political and financial support. In the US, support is being built through federal legislation and appropriation that will provide funding to protect the last, best wild salmon ecosystems.

- **Sustainable Fisheries and Markets:** The Sustainable Fisheries program is working to employ market-based approaches to support sustainable fisheries in the Western Pacific.

- **Conservation Science:** The Conservation Science program is working to establish salmon stronghold priorities, which will drive agenda setting for non-governmental organizations, governmental bodies and scientific institutions. WSC is developing a Salmon Conservation Toolkit to analyze river basins at the global, regional and local scales. The toolkit will address the needs for effective conservation planning, decision support, and prioritizations. The Organization is also building, through the State of the Salmon, wild salmon management goals and principals, and establishing standards to be adopted by governments, regional governmental entities and non-governmental organizations, which will be sufficient to ensure the long term abundance, diversity and sustainability of wild Pacific salmon.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Consolidated Financial Presentation

The consolidated financial statements include the accounts of WSC and North Pacific Salmon Trust, a nonprofit organization established to facilitate one of WSC's programs. All inter-organization transactions and balances have been eliminated.

Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as unrestricted or restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less, at the time of purchase, to be cash equivalents.

Investments

Investments in marketable securities are stated at fair market value.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management provides for probable uncollectible amounts through a charge to the change in net assets and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Property and Equipment

Additions to property and equipment with values exceeding \$500 are capitalized. Property and equipment are carried at cost, or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Deferred Revenue

Income from contract advances is deferred and recognized over the periods during which the work is performed.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Grants and Contributions

Grants and other contributions of cash and other assets are reported as unrestricted support unless they are received with donor restrictions that limit their use. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Materials and Services

In-kind contributions of equipment and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an integral part of the Organization's activities.

The Organization reports as revenue the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated. Donated professional services approximating \$139,000 and \$48,000 were charged to program expenses for the years ended December 31, 2009 and 2008, respectively.

Many of the Organization's daily operation are staffed by volunteers. These volunteer services, which have not been recognized in the accompanying financial statements since the criteria for recording these contributed services have not been met, totaled approximately 2,400 and 460 hours in 2009 and 2008, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Wild Salmon Center is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). There is no provision for income taxes in the accompanying financial statements as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

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

Subsequent Events

The Organization has evaluated all subsequent events through April 15, 2010, the date the financial statements were available to be issued.

2. PLEDGES RECEIVABLE

Pledges receivable at December 31, 2009 and 2008 are unsecured and due as follows:

	2009	2008
Due within one year	\$ 1,160,562	\$ 1,170,973
Due in two to five years	170,000	330,000
	1,330,562	1,500,973
Less discount on long-term pledges	15,200	30,000
	\$ 1,315,362	\$ 1,470,973

Long-term pledges are discounted to present value at a rate of 5%.

Conditional multi-year grants contingent on performance and matching requirements approximate \$2,754,000 at December 31, 2009, and accordingly are not reported in the financial statements.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2009 and 2008

3. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2009 and 2008 consist of the following:

	2009	2008
Office furniture and equipment	\$ 164,131	\$ 162,654
Computer equipment	312,449	330,265
Leasehold improvements	42,356	41,720
Expedition equipment	5,977	5,977
	524,913	540,616
Less accumulated depreciation	368,741	300,358
Net property and equipment	\$ 156,172	\$ 240,258

4. INVESTMENTS HELD FOR PURCHASE OF LAND

Investments at consist of municipal bonds and are carried at fair value.

5. LAND HELD FOR PRESERVATION

During 2004, the Organization acquired 255 acres of land along Elk Creek in Clallam County, Washington. The land was carried at cost and subject to restrictive covenants which require that it be used only for salmon recovery and conservation purposes. The land was donated to the North Olympic Land Trust in June of 2009, and is reported as a non-operating expense on the Organization's statements of activities.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2009 and 2008

6. NOTES PAYABLE

Notes payable at December 31, 2009 and 2008 consist of the following:

	2009	2008
Note payable to Wells Fargo Bank in monthly installments of \$3,273 including interest at 5.25%, through November 2011; secured by furniture and equipment. Note was refinanced in August 2009. Interest rate in 2008 was 8.25%.	\$ 68,398	\$ 101,317
Note payable to founder and board member in connection with deferred compensation agreement; payable in annual installments of \$33,798 including interest at 3.76% through December 31, 2008; unsecured. Interest adjusted annually to the applicable federal rates. The payments due in 2008 and 2007 were made in January 2009 and 2008, respectively, at the request of the note issuer.	-	34,780
Total notes payable	\$ 68,398	\$ 136,097

Current maturities of notes payable are as follows:

December 31, 2010	\$ 36,515
2011	31,883
	\$ 68,398

Interest expense totaled \$6,474 for 2009 and \$11,034 for 2008.

7. BOARD DESIGNATED NET ASSETS

Board designated net assets are held as an Operating Reserve Fund and totaled \$775,000 at December 31, 2009 and 2008.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2009 and 2008

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted to the following programs:

	2009	2008
Conservation Finance	\$ -	\$ 40,000
Conservation Science	340,180	957,975
Sustainable Fisheries	716,155	127,948
West Pacific Network	1,667,893	1,385,908
North America Program	846,877	389,826
Total temporarily restricted net assets	\$ 3,571,105	\$ 2,901,657

9. RELATED PARTY TRANSACTIONS

The Organization has had contracts with two organizations in which a board member serves on both WSC's board and the contracting organization's board. The Organization paid contract services approximating \$4,800 to these two organizations during 2008. Additionally, amounts totaling approximately \$11,400 for consulting fees were paid to a board member during both 2009 and 2008.

As disclosed in Note 6, the Organization had a note payable to the founder and current board member in connection with a deferred compensation agreement. The Organization paid this board member compensation approximating \$33,800 during 2009 and 2008. The board member is also the executive director of an organization which owed the Organization \$53,774 at December 31, 2007. The amount was written off in 2008.

10. EMPLOYEE BENEFIT PLANS

The Organization has defined contribution salary deferral plans (401(k) and 403(b)) covering all full-time employees based in the United States. Under the plans, these employees are eligible to contribute to one of the plans after six months of employment. Employees may contribute up to the statutory limit of their pre-tax earnings each period and the Organization will match employee contributions up to seven percent. The Organization's contributions to the plans during 2009 and 2008 were \$103,089 and \$117,905, respectively.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2009 and 2008

11. LEASE COMMITMENTS

The Organization leases its Portland office facilities under two agreements expiring September 30, 2010 (Suite 290) and July 31, 2011 (Suite 300). Monthly base rent for the main office area (Suite 300) is \$8,740 and is subject to an annual rate increase equal to the Consumer Price Index. Monthly rent for Suite 290 is \$1,320. The Organization also leases various office equipment under operating leases expiring between 2011 and 2014.

The Organization also leases additional space and equipment on a month-to-month basis and short-term leases.

Total rent expense approximated \$175,000 and \$156,000 for 2009 and 2008, respectively.

Future minimum lease payments under non-cancelable leases are as follows:

Years ending December 31, 2010	\$ 128,682
2011	62,292
2012	624
2013	624
2014	208
	<u>\$ 192,430</u>

12. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in several financial institutions. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Balances in excess of insured limits were approximately \$3,326,000 and \$2,963,000 at December 31, 2009 and 2008, respectively.

Credit risk for pledges receivable is concentrated as well because at December 31, 2009 and 2008, 60% and 63% of the balances, respectively, are from three organizations. In addition, the majority of the balances are receivable from organizations and individuals located within the same geographic region and are unsecured.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2009 and 2008

13. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets measured on recurring and nonrecurring bases at December 31, 2009 and 2008 are as follows:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>2009</u>				
Recurring:				
Investments - municipal bonds	\$ 309,375	\$ 309,375	\$ -	-
Pledges receivable after one year	154,800	-	-	154,800
<u>2008</u>				
Recurring:				
Pledges receivable after one year	\$ 300,000	-	-	\$ 300,000
Nonrecurring:				
Contributed fixed assets	10,000	10,000	-	-

Fair value of municipal bonds is determined by reference to quoted market prices and other relevant information generated by market transactions. Pledges receivable after one year are reflected at the present value of the estimated future cash flows using a 5% discount rate. Fair value of contributed fixed assets are measured by reference to quoted market prices of identical items.

WILD SALMON CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued
December 31, 2009 and 2008

13. FAIR VALUE MEASUREMENTS, Continued

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Pledges receivable in more than one year:

	Pledges receivable	Discount	Net
Balance at December 31, 2007	\$ 200,000	\$ (9,524)	\$ 190,476
Change in value of pledges outstanding	-	9,524	9,524
Additional pledges due in more than one year	330,000	(30,000)	300,000
Pledges which became due within one year	<u>(200,000)</u>	<u>-</u>	<u>(200,000)</u>
Balance at December 31, 2008	330,000	(30,000)	300,000
Change in value of pledges outstanding	-	14,800	14,800
Additional pledges due in more than one year	-	-	-
Pledges which became due within one year	<u>(160,000)</u>	<u>-</u>	<u>(160,000)</u>
Balance at December 31, 2009	<u>\$ 170,000</u>	<u>\$ (15,200)</u>	<u>\$ 154,800</u>