

WILD SALMON CENTER

**Audited
Financial Statements**

**For The Years Ended
December 31, 2004 and 2003**



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Wild Salmon Center
Portland, Oregon

We have audited the accompanying statements of financial position of Wild Salmon Center as of December 31, 2004 and 2003, and the related 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Wild Salmon Center as of December 31, 2004 and 2003, and the results of its activities and changes in net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

McDonald Jacobs, P.C.

May 4, 2005

Strength in Numbers

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WILD SALMON CENTER
STATEMENTS OF FINANCIAL POSITION
December 31, 2004 and 2003

	2004	2003
ASSETS		
Cash and cash equivalents	\$ 1,365,603	\$ 382,825
Accounts receivable	191,306	100,273
Grants receivable	100,000	366,183
Prepaid expenses, deposits, and supplies	15,562	13,584
Refundable advance	150,000	150,000
Property and equipment, net	542,175	242,148
Land held for preservation	936,241	-
	<u>\$ 3,300,887</u>	<u>\$ 1,255,013</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 222,333	\$ 183,010
Notes payable	331,374	-
	<u>553,707</u>	<u>183,010</u>
Net assets:		
Unrestricted:		
Undesignated	2,586	13,531
Land, property and equipment, net	793,580	66,834
Board designated	222,881	222,881
Total unrestricted	<u>1,019,047</u>	<u>303,246</u>
Temporarily restricted:		
Time and purpose restricted	1,252,304	593,443
Restricted property and equipment, net	475,829	175,314
Total temporarily restricted	<u>1,728,133</u>	<u>768,757</u>
Total net assets	<u>2,747,180</u>	<u>1,072,003</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,300,887</u>	<u>\$ 1,255,013</u>

See notes to financial statements.

WILD SALMON CENTER
STATEMENTS OF ACTIVITIES
For the years ended December 31, 2004 and 2003

	2004			2003		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue:						
Grants and contributions	\$ 684,155	\$ 4,441,010	\$ 5,125,165	\$ 305,254	\$ 2,363,060	\$ 2,668,314
Program revenue	425,391	-	425,391	211,207	-	211,207
Donated materials and services	33,851	36,411	70,262	1,300	14,738	16,038
Interest income	3,523	-	3,523	2,650	-	2,650
Other income	7,915	-	7,915	8,932	-	8,932
Net assets released from restrictions:						
Satisfaction of program restrictions	3,518,045	(3,518,045)	-	2,077,695	(2,077,695)	-
Total revenue	<u>4,672,880</u>	<u>959,376</u>	<u>5,632,256</u>	<u>2,607,038</u>	<u>300,103</u>	<u>2,907,141</u>
Expenses:						
Program services:						
Cascadia Salmon Biodiversity Program	564,685	-	564,685	346,426	-	346,426
Kamchatka Salmon Biodiversity Program	1,660,140	-	1,660,140	943,750	-	943,750
State of the Salmon Program	574,313	-	574,313	195,022	-	195,022
Russian Far East Salmon Biodiversity Program	271,369	-	271,369	265,339	-	265,339
Tillamook Rainforest Coalition	825,070	-	825,070	336,489	-	336,489
Other programs	-	-	-	6,744	-	6,744
Total program services	<u>3,895,577</u>	<u>-</u>	<u>3,895,577</u>	<u>2,093,770</u>	<u>-</u>	<u>2,093,770</u>
General and administrative	632,250	-	632,250	442,057	-	442,057
Development and fundraising	179,877	-	179,877	71,914	-	71,914
Total expenses	<u>4,707,704</u>	<u>-</u>	<u>4,707,704</u>	<u>2,607,741</u>	<u>-</u>	<u>2,607,741</u>
Income (loss) from operating activities	(34,824)	959,376	924,552	(703)	300,103	299,400
Contributions for purchase of land	750,625	-	750,625	-	-	-
Change in net assets	715,801	959,376	1,675,177	(703)	300,103	299,400
Net assets:						
Beginning of year	303,246	768,757	1,072,003	303,949	468,654	772,603
End of year	<u>\$ 1,019,047</u>	<u>\$ 1,728,133</u>	<u>\$ 2,747,180</u>	<u>\$ 303,246</u>	<u>\$ 768,757</u>	<u>\$ 1,072,003</u>

See notes to financial statements.

WILD SALMON CENTER
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Cash received from grants, contracts, and contributions	\$ 5,725,706	\$ 2,651,839
Other cash receipts	7,915	21,159
Interest received	3,523	2,650
Cash paid to employees and suppliers	(4,499,091)	(2,427,403)
Cash paid for interest	<u>(6,685)</u>	<u>-</u>
Net cash provided by operating activities	<u>1,231,368</u>	<u>248,245</u>
Cash flows from investing activities:		
Additions to land, property and equipment	<u>(1,330,589)</u>	<u>(123,889)</u>
Net cash used in investing activities	<u>(1,330,589)</u>	<u>(123,889)</u>
Cash flows from financing activities:		
Contributions restricted for purchase of land	750,625	-
Proceeds from long-term debt	359,007	-
Principal payments on long-term debt	<u>(27,633)</u>	<u>-</u>
Net cash provided by financing activities	<u>1,081,999</u>	<u>-</u>
Net increase in cash and cash equivalents	982,778	124,356
Cash and cash equivalents - beginning of year	<u>382,825</u>	<u>258,469</u>
Cash and cash equivalents - end of year	<u>\$ 1,365,603</u>	<u>\$ 382,825</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 1,675,177	\$ 299,400
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	94,321	53,056
Contributions restricted for purchase of land	(750,625)	-
(Increase) decrease in:		
Accounts and grants receivable	175,150	(151,605)
Prepaid expenses, deposits, and supplies	(1,978)	476
Increase (decrease) in:		
Accounts payable and accrued expenses	39,323	110,768
Deferred revenue	<u>-</u>	<u>(63,850)</u>
Net cash provided by operating activities	<u>\$ 1,231,368</u>	<u>\$ 248,245</u>

See notes to financial statements.

WILD SALMON CENTER
NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Wild Salmon Center, founded in 1992, is an incorporated association whose mission is to identify, understand and protect the best 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 Canada, Russia and the United States. The Organization receives support primarily from various public and private foundations. Support to the Organization from one private foundation approximated 40% for 2004 and 50% for 2003. This private foundation has pledged future support totaling \$4.3 million for 2005 and 2006, subject to performance requirements.

The Organization's primary programs include:

- **Cascadia Salmon Biodiversity Program:** An effort to create a system of sanctuaries for native salmon and steelhead in the United States Pacific Northwest, focusing on the most productive and species-rich salmon ecosystems in Oregon and Washington.
- **Kamchatka Salmon Biodiversity Program:** A joint effort of the Russian government and Wild Salmon Center to support the conservation, study and economic development of salmon, trout, and steelhead on Russia's Kamchatka peninsula.
- **State of the Salmon Program:** The State of the Salmon program is a cooperatively organized source of information and knowledge on North Pacific salmon – an integrated resource that will foster collaborative policy progress toward a future in which wild salmon, and all life that depends on them, prosper. A joint program of Wild Salmon Center and Ecotrust, the State of the Salmon also supports the IUCN/World Conservation Union Salmonid Specialist Group.
- **Russian Far East Salmon Biodiversity Program:** A collaboration with scientists and policy experts across the Russian Far East to develop conservation strategies and action plans to protect the most species-rich, healthy and unique salmon watersheds in the Russian Far East.

WILD SALMON CENTER
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Organization, Continued

- **Tillamook Rainforest Coalition:** Tillamook Rainforest Coalition is a group of more than 130 small businesses, angler, commercial fishing, conservation, and landowner groups concerned about the fate of the Tillamook and Clatsop State Forests. Founding organizations are Wild Salmon Center, Audubon Society of Portland, Coast Range Association, National Wildlife Federation, Sierra Club, and Trout Unlimited.

Basis of Presentation

The Organization reports 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.

- Unrestricted net assets represent net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.
- Permanently restricted net assets represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

The Organization had only unrestricted and temporarily restricted net assets at December 31, 2004 and 2003.

Cash and Cash Equivalents

For the purposes of the statement 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.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on management's assessment of the credit history with contractors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

WILD SALMON CENTER
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

Contract Revenue

Contract revenue is earned over the period services are performed. Contract amounts received in advance of the services performed are reported as deferred revenue.

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. For 2004, donated professional services provided in connection with the purchase of land approximating \$28,700 were capitalized. For 2003, donated legal services approximating \$8,000 were recorded to program expenses.

The Organization regularly receives contributed services from a variety of volunteers who assist the Organization in its programs and events. The value of such services has not been recognized in the accompanying financial statements since the criteria for recording these contributed services have not been met.

WILD SALMON CENTER
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement 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). For 2004, the Organization is subject to excise taxes for excess lobbying expenses approximating \$47,000. The Organization is not a private foundation.

Use of 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.

2. GRANTS RECEIVABLE

Grants receivable at December 31, 2004 and 2003 include unconditional foundation grants, which are expected to be received within one year. Conditional multi-year grants contingent on performance and matching requirements approximate \$5,124,000 at December 31, 2004 and accordingly, are not reported in the financial statements.

3. REFUNDABLE ADVANCE

In August 2001, the Organization advanced \$150,000 to River Network toward their purchase of the Schmidt Bar Tract. The advance was repaid on February 8, 2005.

WILD SALMON CENTER
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2004 and 2003

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2004	2003
Land	\$ 11,900	\$ 11,900
Office furniture and equipment	49,071	39,744
Computer equipment	130,244	113,618
Leasehold improvements	2,775	-
Biostations	141,507	11,600
Expedition equipment	397,933	164,931
Display equipment	4,483	4,483
	737,913	346,276
Less accumulated depreciation	195,738	104,128
	\$ 542,175	\$ 242,148

5. LAND HELD FOR PRESERVATION

During 2004, the Organization acquired 255 acres of land along Elk Creek in Clallam County, Washington. The land is subject to restrictive covenants which require that it be used only for salmon recovery and conservation purposes.

WILD SALMON CENTER
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2004 and 2003

6. NOTES PAYABLE

Notes payable at December 31, 2004 and 2003 consist of the following:

	2004	2003
Note payable to The Conservation Fund; principal and interest at 6.25% are due December 22, 2005; unsecured.	\$ 181,507	\$ -
Note payable to The Conservation Fund; the note plus interest at 6.25% was repaid on February 3, 2005; unsecured.	27,500	-
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 is adjusted annually to the applicable IRS rates.	122,367	-
Total notes payable	\$ 331,374	\$ -
Current portion	\$ 238,204	\$ -
Long-term portion	93,170	-
	\$ 331,374	\$ -

Current maturities of long-term debt are as follows:

December 31, 2005	\$ 238,204
2006	30,295
2007	31,434
2008	31,441
	\$ 331,374

Interest expense totaled \$6,685 for 2004.

WILD SALMON CENTER
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2004 and 2003

7. BOARD DESIGNATED NET ASSETS

Unrestricted net assets totaling \$275,000 have been designated as the "Opportunity Fund." The purpose of the Opportunity Fund is to provide available funds for special projects. During 2003, the Organization was authorized to use designated funds totaling \$52,119 to cover operating deficits of Cascadia Salmon Biodiversity Program and Tillamook Rainforest Coalition. The intention of the Organization is to restore the Opportunity Fund back to the original \$275,000 with future program surpluses. The fund was restored in February 2005.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted to the following programs:

	2004	2003
Kamchatka Salmon Biodiversity Program	\$ 1,437,287	\$ 711,207
Russian Far East Salmon Biodiversity Program	185,264	57,550
Cascadia South Salmon Biodiversity	74,375	-
Cascadia North Salmon Biodiversity	31,207	-
	\$ 1,728,133	\$ 768,757

9. RELATED PARTY TRANSACTIONS

The Organization has contracts with two organizations in which a board member serves on both the Wild Salmon Center board and the contracting organization's board. The Organization paid contract services approximating \$140,000 to these two organizations during 2004 and \$59,000 during 2003.

As disclosed in Note 5, the Organization has a note payable to the founder and current board member in connection with a deferred compensation agreement. The Organization also paid this board member salary and benefits totaling \$53,500 during 2004 and \$53,500 during 2003. In addition, the Organization made a \$50,000 grant to a nonprofit organization in which this board member is the executive director. This same nonprofit organization also has an amount payable to the Organization totaling \$53,774 at December 31, 2004 and 2003.

WILD SALMON CENTER
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2004 and 2003

10. EMPLOYEE BENEFIT PLANS

The Organization has defined contribution salary deferral plans (401k 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 can contribute up to seven percent of their pre-tax earnings each period and the Organization will match employee contributions up to seven percent. Plan contributions during 2004 and 2003 were \$53,983 and \$29,968, respectively.

11. LEASE COMMITMENTS

The Organization leases its Portland office facilities under a lease expiring October 31, 2007 and its Seattle office facilities under a lease expiring February 28, 2006. The Portland lease can be terminated without penalty with four months notification. The Organization also leases a copier under an operating lease expiring in July 2009. Total lease expense under these agreements approximated \$73,000 and \$62,000 for 2004 and 2003, respectively.

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

Years ending December 31, 2005	\$	20,200
2006-2009		9,700

12. CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization's cash accounts are maintained in various financial institutions. The balances with each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At times, these balances may exceed the insured limit.