

**WILD SALMON CENTER**

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**Audited  
Financial Statements**

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**For the Years Ended  
December 31, 2006 and 2005**



MCDONALD JACOBS

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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, 2006 and 2005, 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, the financial statements referred to above present fairly, in all material respects, the financial position of Wild Salmon Center as of December 31, 2006 and 2005, and the 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.*

March 5, 2007

*Strength in Numbers*

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**WILD SALMON CENTER**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2006 and 2005**

	2006	2005
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,979,565	\$ 1,989,593
Accounts receivable, net of allowance for uncollectible accounts of \$53,774 for 2006 and \$26,887 for 2005	14,205	91,219
Pledges receivable, net	995,670	162,663
Prepaid expenses, deposits, and supplies	78,181	33,433
Property and equipment, net	993,946	820,595
Land held for preservation	936,241	936,241
 TOTAL ASSETS	 \$ 6,997,808	 \$ 4,033,744
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 342,328	\$ 232,071
Notes payable	250,997	93,169
Total liabilities	593,325	325,240
Net assets:		
Unrestricted:		
Undesignated	150,316	105,258
Land, property and equipment, net	1,000,923	990,374
Board designated	500,000	400,000
Total unrestricted	1,651,239	1,495,632
Temporarily restricted:		
Time and purpose restricted	3,981,807	1,446,409
Restricted property and equipment, net	771,437	766,463
Total temporarily restricted	4,753,244	2,212,872
 Total net assets	 6,404,483	 3,708,504
 TOTAL LIABILITIES AND NET ASSETS	 \$ 6,997,808	 \$ 4,033,744

See notes to financial statements.

**WILD SALMON CENTER**  
**STATEMENTS OF ACTIVITIES**  
For the years ended December 31, 2006 and 2005

	2006			2005		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue:</b>						
Grants and contributions	\$ 1,708,933	\$ 5,958,103	\$ 7,667,036	\$ 1,521,289	\$ 3,933,589	\$ 5,454,878
Program revenue	75,451	-	75,451	442,442	-	442,442
Donated materials and services	50,255	-	50,255	6,528	22,361	28,889
Interest income	54,555	-	54,555	12,207	-	12,207
Other income	22,969	-	22,969	12,071	-	12,071
Net assets released from restrictions:						
Satisfaction of program restrictions	3,417,731	(3,417,731)	-	3,471,211	(3,471,211)	-
Total revenue	<u>5,329,894</u>	<u>2,540,372</u>	<u>7,870,266</u>	<u>5,465,748</u>	<u>484,739</u>	<u>5,950,487</u>
<b>Expenses:</b>						
Program services:						
North America Program	638,654	-	638,654	1,071,968	-	1,071,968
Kamchatka Salmon Biodiversity Program	2,356,463	-	2,356,463	1,961,898	-	1,961,898
State of the Salmon Program	515,538	-	515,538	754,617	-	754,617
Russian Far East Salmon Biodiversity Program	644,257	-	644,257	401,914	-	401,914
Other programs	22,511	-	22,511	-	-	-
Total program services	4,177,423	-	4,177,423	4,190,397	-	4,190,397
General and administrative	495,697	-	495,697	433,082	-	433,082
Development and fundraising	501,167	-	501,167	365,684	-	365,684
Total expenses	<u>5,174,287</u>	<u>-</u>	<u>5,174,287</u>	<u>4,989,163</u>	<u>-</u>	<u>4,989,163</u>
Change in net assets	155,607	2,540,372	2,695,979	476,585	484,739	961,324
<b>Net assets:</b>						
Beginning of year	<u>1,495,632</u>	<u>2,212,872</u>	<u>3,708,504</u>	<u>1,019,047</u>	<u>1,728,133</u>	<u>2,747,180</u>
End of year	<u>\$ 1,651,239</u>	<u>\$ 4,753,244</u>	<u>\$ 6,404,483</u>	<u>\$ 1,495,632</u>	<u>\$ 2,212,872</u>	<u>\$ 3,708,504</u>

See notes to financial statements.

**WILD SALMON CENTER**  
**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b>Cash flows from operating activities:</b>		
Cash received from grants, contracts, and contributions	\$ 6,959,607	\$ 6,084,744
Other cash receipts	22,969	11,621
Interest received	54,555	12,207
Cash paid to employees and suppliers	(4,836,915)	(4,779,805)
Cash paid for interest	<u>(4,900)</u>	<u>(19,643)</u>
Net cash provided by operating activities	<u>2,195,316</u>	<u>1,309,124</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of property	2,000	1,850
Additions to property and equipment	<u>(365,172)</u>	<u>(448,779)</u>
Net cash used in investing activities	<u>(363,172)</u>	<u>(446,929)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from long-term debt	160,000	-
Principal payments on long-term debt	<u>(2,172)</u>	<u>(238,205)</u>
Net cash provided by (used in) financing activities	<u>157,828</u>	<u>(238,205)</u>
 Net increase in cash and cash equivalents	 1,989,972	 623,990
 Cash and cash equivalents - beginning of year	 <u>1,989,593</u>	 <u>1,365,603</u>
 Cash and cash equivalents - end of year	 <u>\$ 3,979,565</u>	 <u>\$ 1,989,593</u>
 <b>Reconciliation of change in net assets to net cash provided by operating activities:</b>		
Change in net assets	\$ 2,695,979	\$ 961,324
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	183,334	150,007
Allowance for uncollectible accounts	26,887	26,887
Loss on sale and disposition of property and equipment	6,487	18,502
(Increase) decrease in:		
Accounts and grants receivable	(782,880)	10,537
Prepaid expenses, deposits, and supplies	(44,748)	132,129
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>110,257</u>	<u>9,738</u>
Net cash provided by operating activities	<u>\$ 2,195,316</u>	<u>\$ 1,309,124</u>

See notes to financial statements.

**WILD SALMON CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2006 and 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Wild Salmon Center (the Organization), 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 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 56% for 2006 and 47% for 2005.

The Organization's primary programs include:

- **North America Program:** An effort to create a network of protected wild salmon rivers along the Pacific Rim, focusing on the most productive and species-rich salmon ecosystems from Alaska to California. This network of salmon strongholds is achieved through non-regulatory, incentive-driven strategies.
- **Kamchatka Salmon Biodiversity Program:** A joint effort with Russian and international partners to secure Russia's Kamchatka Peninsula as a global stronghold for wild salmon ecosystems by creating a network of protected areas on the most important salmon, trout, and steelhead rivers.
- **State of the Salmon Program:** A joint program of Wild Salmon Center and Ecotrust, State of the Salmon provides scientific and technical support for developing new salmon conservation policies and management practices. The program works to create a seamless portrait of salmon status in watersheds throughout the North Pacific. The consortium's goal is to help national, regional and local natural resource managers make informed decisions to benefit wild salmon.
- **Russian Far East Salmon Biodiversity Program:** A collaboration with diverse partner groups to identify conservation strategies that protect wild salmon habitat as the region develops its other natural resources – oil and gas, minerals and forests. The program also develops partnerships to protect the most species-rich, healthy and unique salmon watersheds in the region.

**WILD SALMON CENTER**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2006 and 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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, 2006 and 2005.

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.

**WILD SALMON CENTER**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2006 and 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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.

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 2006, donated professional services for legal and accounting approximating \$1,200 were charged to general and administrative expenses. For 2005, donated professional services for legal and accounting approximating \$2,400 were charged to general and administrative expenses.



**WILD SALMON CENTER**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2006 and 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Donated Materials and Services, Continued

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.

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). 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. PLEDGES RECEIVABLE**

Pledges receivable at December 31, 2006 and 2005 are unsecured and due as follows:

	2006	2005
Due within one year	\$ 676,670	\$ 162,663
Due in two to five years	335,000	-
	1,011,670	162,663
Less discount on long-term pledges	16,000	-
Net pledges receivable	\$ 995,670	\$ 162,663

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

**WILD SALMON CENTER**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2006 and 2005**

**2. PLEDGES RECEIVABLE, Continued**

Conditional multi-year grants contingent on performance and matching requirements approximate \$650,000 at December 31, 2006 and accordingly, are not reported in the financial statements.

**3. PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2006 and 2005 consist of the following:

	2006	2005
Office furniture and equipment	\$ 167,230	\$ 61,503
Computer equipment	217,576	179,683
Leasehold improvements	62,304	30,546
Biostations	474,166	390,524
Expedition equipment	537,363	484,970
Display equipment	4,483	4,483
	1,463,122	1,151,709
Less accumulated depreciation	469,176	331,114
Net property and equipment	\$ 993,946	\$ 820,595

**4. 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, 2006 and 2005**

**5. NOTES PAYABLE**

Notes payable at December 31, 2006 and 2005 consist of the following:

	2006	2005
Note payable to Wells Fargo Bank in monthly installments of \$3,273 including interest at 8.25%, through November 2011; secured by furniture and equipment.	\$ 157,828	\$ -
 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 federal rates. The payment due in 2006 was made in January 2007, at the request of the note issuer.	 93,169	 93,169
Total notes payable	\$ 250,997	\$ 93,169
Current portion	\$ 87,607	\$ 29,587
Long-term portion	163,390	63,582
	\$ 250,997	\$ 93,169

Current maturities of long-term debt are as follows:

December 31, 2007	\$ 87,607
2008	62,080
2009	32,009
2010	34,791
2011	34,510
	\$ 250,997

Interest expense totaled \$4,900 for 2006 and \$19,643 for 2005.

**WILD SALMON CENTER**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2006 and 2005**

**6. 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 2005, the board of directors established an Operating Reserve Fund and designated \$125,000 to the fund. The purpose of this fund is to set aside funds as a contingency reserve for potential future operating shortfalls. During 2006 the board designated an additional \$100,000 to the fund.

A summary of board designated net assets are as follows:

	<u>2006</u>	<u>2005</u>
Opportunity Fund	\$ 275,000	\$ 275,000
Operating Reserve Fund	<u>225,000</u>	<u>125,000</u>
Total board designated net assets	<u>\$ 500,000</u>	<u>\$ 400,000</u>

**7. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are restricted to the following programs:

	<u>2006</u>	<u>2005</u>
Kamchatka Salmon Biodiversity Program	\$ 3,566,401	\$ 1,518,757
State of the Salmon Program	208,758	481,860
Communications	174,400	-
North America Program	<u>803,685</u>	<u>212,255</u>
Total temporarily restricted net assets	<u>\$ 4,753,244</u>	<u>\$ 2,212,872</u>

**WILD SALMON CENTER**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2006 and 2005**

**8. 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 \$241,000 to these two organizations during 2006 and \$260,000 during 2005.

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 approximating \$49,000 during 2006 and \$55,000 during 2005. The board member is also the executive director of an organization which owes the Organization \$53,774 at December 31, 2006 and 2005. The amount owing has been fully reserved at December 31, 2006.

**9. 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. Plan contributions during 2006 and 2005 were \$81,887 and \$73,256, respectively.

**WILD SALMON CENTER**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**December 31, 2006 and 2005**

**10. LEASE COMMITMENTS**

During 2006, the Organization relocated its Portland office facilities to a larger space in the same building. The current operating lease expires July 31, 2011. Monthly rent is \$8,740 and is subject to an annual rate increase equal to the Consumer Price Index.

The Organization leased its Seattle and Port Angeles, Washington office facilities under leases that expired in 2006. The Port Angeles office lease was extended through November 2007. The Organization also leases a copier under an operating lease expiring in July 2009. Total lease expense approximated \$152,000 and \$81,000 for 2006 and 2005, respectively.

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

Years ending December 31, 2007	\$ 106,800
2008	106,800
2009	105,800
2010	104,900
2011	<u>61,000</u>
	\$ <u>485,300</u>

**11. 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. Uninsured balances approximate \$3,883,000 and \$2,065,000 at December 31, 2006 and 2005, respectively.